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WORLD NEWS

Mid-air blast rips open US jumbo jet

At least eight people were feared dead after a mid-air explosion tore open the fuselage of a UnitedAirlines Boeing 747 on its way from Honolulu to New Zealand.

It was thought those killed were sucked out through the 10ft by 40ft hole.

The pilot managed to bring the aircraft back to Honolulu.The Chicago-based airline said it had no information about the cause of the explosion. Page 2

Bush fights for Tower

President George Bush pledged to fight on to ensure John Tower becomes US Defence Secretary, although the Armed Services Committee yesterday rejected the nomination. Page 22

Bristol bomb arrests

Police looking for the Bristol University bombers arrested eight people and detained them under the Prevention of Terrorism Act.

Hijacker sentenced

A Swiss federal court sentenced Lebanese Shi'ite hijacker Hussein Mohammed Ali Hariri to life imprisonment for hijacking an Air Afrique airliner and killing a French passenger in 1987.

Palestinians jailed

An Israeli court sentenced three Palestinians to 30 years' jail each for planning to hijack a bus and capture its passengers.

West Bank curfew

Israel imposed a curfew on the West Bank town of Nablus, where an Israeli soldier was seriously injured when he was hit by a block of cement during a clash with stone-throwing Palestinians. Page 2

Pit closure accepted

About 400 miners at Barony Colliery voted to accept the closure of their pit, the last deep workings in west Scotland.

Exam boycott still on

The university lecturers' boycott on exams seems likely to intensify after the employers and the lecturers' union failed to resolve their pay dispute. Page 5

Appeal to hunger striker

Buckingham Palace appealed to Burma veteran Andrew Burgess to end his hunger strike in protest against the Duke of Edinburgh attending Emperor Hirohito's funeral. Sombre farewell for Hirihito, Page 22

Snooker betting probed

Police have been asked by snooker's governing body to investigate alleged betting irregularities over a match last month between Terry Griffiths and Silvino Francisco.

Ulster arms search

Two men were arrested in Northern Ireland after police found loyalist arms during searches of houses in County Down.

Mandela man in court

A third member of Winnie Mandela's bodyguard appeared in a Johannesburg court charged with the murder of 14-year-old Stompie Moeketsi. Page 2

Sweden to ban batteries

Sweden is to ban almost all alkaline batteries from next year to prevent mercury and cadmium pollution. From July, such batteries will be marked to show they are dangerous to the environment.

Hong Kong drugs move

Hong Kong is to introduce laws to counter money laundering and allow the proceeds of drug dealing to be confiscated. Page 3

De Rothschild estate

Dorothy de Rothschild, who died in December aged 93, left an estate valued at £94.1m gross.

BUSINESS SUMMARY

Pressure on water prices stepped up

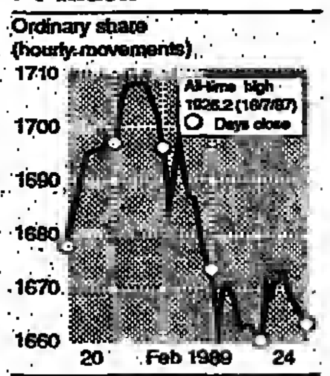
The Government yesterday sought to step up the pressure on Britain's privately-owned water companies to scale back proposed price increases ranging from 30 to 70 per cent by threatening to refer any such moves to the Monopolies and Mergers Commission.

Mr Colin Moynihan, junior Environment Minister, said in a Commons written reply that the Government was still in discussion with the water companies to persuade them to make revisions. Ha added, however, that "further action, including the option of a reference to the Monopolies and Mergers Commission, will be considered in the light of the outcome of these discussions."

FT ORDINARY ended 3.8 down on the week at 1,663.4 and the tone in the market was subdued at the end, with traders cautious about next week's prospects. Lex, Page 22

FT Index

Ordinary share (hourly movements)



FKI Babcock, electrical and engineering group, announced yesterday that it is in talks which could lead to a cash offer for a major part of the group. Page 22; Lex, Page 22

SPAIN'S Banco Central and Banco Espanol de Credito have agreed to call off their efforts to merge and form the country's biggest bank, with assets of more than \$50bn (£28.5bn), Spanish television news reported last night. Weekend FT, Page I

ALLIANCE & Leicester, fifth largest UK building society with assets of £11.4bn, has emerged as a potential purchaser of Girobank, the Post Office banking subsidiary. Page 22

EMHART, US industrial and consumer products group best known for its Bostik adhesives, has received a \$2.18bn takeover offer from an investment partnership that includes Mr Gordon Getty, chief heir to the Getty oil fortune. Page 10

FIRST Technology, fighting to take over Ricardo, Sussex-based designer of engines and transmissions, raised its offer to £22.7m and attached a cash alternative. Page 8

PIERRE Bérégovoy, French Finance Minister, and Karl Otto Pöhl, president of West German Bundesbank, clashed this week in Paris over French fears of rising German interest rates. Page 3

RHONE-POULENC, French state-owned chemicals group, plans to acquire the bulk aspirin and paracetamol manufacturing plants of Monsanto, the US group. Page 10

LLOYDS BANK announced pre-tax profits of £952m — a major turnround from the previous year's £248m loss caused by Third World debt problems. Page 8; Lex, Page 22

SAAB-SCANIA, Swedish automotive and aerospace group, suffered an 11 per cent drop in pre-tax profits last year, from SKr3.6bn (£0.3bn) to SKr3.2bn. Page 10

ABBEY LIFE, UK financial services group, reported a 30 per cent increase in pre-tax profits in 1988 to £303.2m. Page 8

GATEWAY, UK supermarket chain, is to ban the sale of aerosols containing chlorofluorocarbon (CFC) propellants from July. Page 5

Tory slump at by-election shows rise in discontent

By Philip Stephens, Political Editor

THE Government narrowly escaped a spectacular defeat as a last-minute surge in support for Dr David Owen's Social Democrats slashed the Conservative majority in the Richmond, Yorks, by-election by nearly 17,000 votes.

Mr William Hague was elected with a majority of 2,634 against the 19,576 secured by Sir Leon Brittan in 1987, as the split between the SDP and the Social Liberal Democrats neutralised a collapse in the Conservative vote.

Richmond Result

William Hague (Con)	19,543
Michael Potter (SDP)	16,909
Barbara Pearce (SLD)	11,589
Frank Robson (Lab)	2,591
Robert Upshall (Green)	1,473
Lord David Sutch (Ind)	167
Anthony Millns (Ind)	113
Lindi St Claire (Ind)	106
Nicholas Watkins (Ind)	70
CONSERVATIVE MAJORITY	2,634

1987 General Election: L. Brittan (Con) 34,995; D. Lloyd-Williams (Lib) 15,419; F. Robson (Lab) 6,737. Majority 19,576.

The result, which showed that had the two centre parties fought the seat jointly they would have secured the biggest by-election victory for nearly 30 years, appeared to reflect an upsurge of discontent over a range of government policies.

It brought a call from Mr Paddy Ashdown, the SLD leader, for Dr Owen to reopen talks with the SLD on a possible merger of the two parties.

In spite of its much stronger national base the SLD was forced into a poor third position by Mr Mike Potter, the SDP candidate, in what was seen at Westminster as a serious personal blow for Mr Ashdown.

The SLD leader said it was now time for the two parties to put aside their "personal vanities" to grasp a major opportunity to defeat Mrs Margaret Thatcher.

An elated Dr Owen, however, made clear he believed his party's performance bad underlined both the case for a separate identity for the SDP and its prospective role in reshaping British politics. A merger with the SLD was "out of the question" he told Channel 4 News last night.

He acknowledged that Mr Potter had been an unusually good local candidate but added: "Richmond is a stunning result for the SDP. It shows that sticking with your beliefs pays off in British politics."

He also renewed his call for a renewed "constitutional coalition" of opposition parties including Labour to provide the electorate with an alternative government to that of Mrs Thatcher.

However, Dr Owen's clear preference for electoral pacts with both the Labour party and the SLD was in turn ruled ont as impracticable by Mr Ashdown.

So althongh tha SLD was still voicing hopes of a rapprochement last night, the general view at Westminster was that a further period of bickering between the two parties was likely following the acrimonious break-up of the SDP-Liberal Alliance last year.

The Government meanwhile tried put a brave face on the slump in its share of the vote from more than 61 per cent at the general election to just 37 per cent.

Mr Hague, however, acknowledged that there was a protest vote against the Government and dissatisfaction with rising inflation and high mortgage rates.

Conservative party managers will now be looking closely at ways to improve the presentation of a number of apparently unpopular policies, including those for the sale of the water industry and reform of the National Health Service.

In the forthcoming Vale of Glamorgan by-election, which will follow the death earlier this week of Sir Raymond Gower, the Conservatives are defending a mucb smaller majority of 6,200 over tbe second-placed Labour party.

Yesterday, ministers were taking comfort from the fact thet support for the centre parties at Richmond had pushed Labour into a poor fourth place, with the Labour candidate losing his deposit.

Mr Neil Kinnock will draw more encouragement from the Pontypridd by-election result wbere Mr Kim Howells, tbe Labour candidate, fought off a strong cballenge from the Welsb Nationalists.

Although be saw his majority cut by around 5,000 from that at the last general election, the SDP and SLD were left trailing well behind tbe Welsb Nationalists in fourth and fifth place. Mr Syd Morgan, the Plaid Cymru candidate, beat the Conservative candidate for second place.

Mr Howells received 20,549 votes against a Labour vote of 26,422 in the general election, Mr Syd Morgan of Plaid Cymru 9,755 (2,493), Mr Nigel Evans, Conservative, 5,212 (9,145), Mr Tom Ellis, SLD, 1,500 (Alliance 8,865) and Dr Terry Thomas, SDP, 1,199.

Editorial comment, Page 6; UK politics become interesting again, Page 7

Metalbox merger with Carnaud is approved in MB vote

By Maggie Urry

SHAREHOLDERS in MB Group voted overwbelmingly yesterday for the merger of its Metalbox Packaging subsidiary witb Carnaud, tbe Frencb packaging group. They voted at a special meeting in London whicb lasted more tban two bours.

The approval, won with an 85 per cent majority, came in spite of efforts to block the deal by Elders Investments. That is tbe investment arm of Elders IXL, Mr John Elliott's Australian brewing, farming and finance group. Elders Investments is a 5.7 per cent sharebolder in MB.

Elders had proposed an alternative under which a consortium of Elders, Ball Corporation, a US packaging group, and some individuals would make a cash bid of not less than £835m for the packaging subsidiary.

Elders had been expected to move adjournment of tbe meeting to give tbe consortium more time to press its case, but did not do so. Mr Ross Luke of Elders said after the meeting that it had not seemed likely that an adjournment motion would have won enough support.

Voting on tbe scheme, whicb comes under the jurisdiction of the High Court as a standard procedure, was 154.9m in favour and 27.2m against. The complex counting, wbich required eacb vote to be checked against the share register, took until about 6.45pm.

The announcement of the result came after tbe stock market closed with MB shares up 6p at 284p. The resolution needed a 75 per cent majority to be carried. The scheme now has to go back to the High Court for final approval.

Mr Brian Smith, chairman of MB, said: "It's a real mandate from the real sharebolders. I am pleased and relieved. About 58m votes walked into the meeting in people's pockets. It could bave gone the other way."

The meeting began at 11.30am and was opened by Mr Smith, who made a half-hour speech. He said that 94.6 per cent of the proxy votes received were in favour of the merger.

He explained tbe logic behind the proposed merger and condemned Elders' involvement as "the intervention of people witb interests other than those of our genu-

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Weekend FT

QUEST FOR SPANISH RICHES

Peter Bruce unravels the story of success, scheming and scandal which has shaken Spain's banking community and captured the imagination of its public

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Finance

Low-start mortgagas and paying off your mortgage with a PEP

Page III

Sport

Michael Thompson-Noel is in Las Vegas to see the world heavyweight boxing championship

Page XXVI

Travel

The trials and tribulations of taking your car abroad

Page XI

Arts

The drama at the V&A unfolds with another attack on the new director

Page XXV

Survey

Pensions: Too few are making use of the new freedom to provide for old age, says Eric Short

Pages VII-IX

US Fed raises its discount rate to 7%

By Janet Bush in New York

THE US Federal Reserve yesterday raised its discount rate, tha benchmark interest rate for US financial markets, from 6.5 per cent to 7 per cent, capping a week which saw financial markets fall sharply on increasing scepticism about the central bank's resolve to combat inflation.

This is the first time the discount rate has been raised since August 9 in spite of a series of Fed moves since then to tighten monetary policy by pushing up short-term money market rates.

The move heightened speculation in Europe that the West German Bundesbank may push West German interest rates higher at its fortnightly council meeting next Thursday.

Yesterday's announcement came a day after the Fed signalled it had raised its target for the Fed Funds rate, the rate at which commercial banks borrow money from each other overnight, for the second time in two weeks.

Leading US commercial banks responded by raising their prime lending rates to 11.5 per cent from 11 per cent.

Markets have been increasingly nervous since February 14 when President George Bush said he was not overly concerned about inflation and that he opposed any further tightening in monetary policy.

Those remarks, with the Administration's use of high assumptions for growth in its budget, signalled warnings to tha market that President Bush was soft on inflation.

These developments, coupled with big producer and consumer price rises last month, put pressure on Mr Alan Greenspan, Fed chairman, to provide evidence of his political independence from the Bush Administration.

Financial markets stayed unimpressed in spite of the emphatic nature of Fed actions this week. Mr William Dudley, senior economist at Goldman Sachs in New York, said: "The markets were saying to the Fed

Continued on Page 22

Bérégovoy and Pöhl clash on interest rates, Page 3; Currencies, Page 11; World Stock Markets, Pages 12-13

Hurd refuses to give ground on demands to ban Rushdie book

By Richard Tomkins, Midlands Correspondent

BIRMINGHAM Moslems gave Mr Douglas Hurd, Home Secretary, a rough ride yesterday as he lectured them on race relations and refused to give ground on their demands for a ban on Salman Rushdie's book, The Satanic Verses.

Mr Hurd drew angry cries from an audience of about 100 Moslems at Birmingham Central Mosque, when he declined a request from the audience that he should at least condemn the book.

"Once yon have ministers going about condemning books that attack Jews or Jesus Christ or the Virgin Mary, or the present book, you are on a slope that you may regret pnshing us down," he said. "My personal opinion is that it is not a great book, but that is a personal view. As a minister in the Government, I have no power to censor books, and it is not our dnty to criticise them."

In response to loud cries of "what about Spycatcher?" he said that was different because its contents were in breach of the Official Secrets Act.

Mr Hurd's remarks came on the day that Sir Geoffrey Howe, Foreign Secretary, sent a message to Mr Eduard Shevardnadze, his Soviet counterpart, urging him to join the West by condemning death threats against Mr Rushdie.

A crowd of about 200 mainly Moslem protesters greeted Mr Hurd as he arrived to fulfil a long-standing engagement at the Mosque. Inside, he said that no ethnic or religious minority was likely to thrive in Britain if it isolated itself from mainstream British life.

"The law gives you the freedom to express your protests, peacefully and with dignity. British Moslems are entitled to speak out in defence of their religious faith and to protest about a book which tbey believe denigrates and insults the Prophet.

"But to turn such protests towards violence or the threat of violence, as has been suggested not in this country but elsewhere, is wholly unacceptable."

Mr Hurd's speech drew a sharp response from Dr Muhammad Nazeem, chairman of the Mosque. "Why does Mr Hurd waste his time telling us to be law-abiding, knowing that to be law-abiding is our principle? he said.

Mr Hurd ruled out an extension of the law of blaspbemy to embrace Islam as well as Christianity, saying the Law Commission had looked at that law a few years ago and recommended tbat it sbould be repealed, rather than extended.

Ten die in Indian riots, Page 2; Editorial comment, Page 6

Gorbachev tackles ethnic difficulties

By Quentin Peel in Moscow

A RADICAL solntion to the problem of ethnic minorities in the Soviet Union, possibly providing a compromise in the bloody dispute over the territory of Nagorno-Karabakh, has been suggested by Mr Mikhail Gorbachev.

The Soviet leader chose a set-piece speecb at the end of four-day tour of the Ukraine to propose that "antonomous regions", such as the disputed enclave, might be turned into "national regions."

Such a solution in Nagorno-Karabakh would take the area out of the jurisdiction of Azerbaijan. This would meet the main demand of the majority Armenian population but could still cause a nationalist backlash from the Azeris.

Mr Gorbachev's statement was the first conciliatory one to be made by him in many months in answer to the growing chorus of nationalist demands from the periphery of the Soviet Union. However, he also spoke of the dangers seen in demands for separatism.

"We must warn those who spread them that they are playing with fire," he said, in a clear reference to the demands for independence voiced in the Baltic republics of Estonia, Latvia and Lithuania.

Mr Gorbachev's speech was made on Thursday night and coincided with an emotional ceremony in the Estonian capital, Tallinn.

At this, the red Soviet Estonian flag was lowered from Pikk Hermann, the ancient tower which dominates the country's seat of government, and handed to the Estonian history museum as a relic.

At dawn yesterday, the blue, black and white flag of Estonia — the flag whicb represented the republic during its brief independence from 1918 to 1940 - was boisted by Mr Arnold Ruutel, Estonia's president.

Speakers at the ceremony included the Communist Party leader, Mr Vaino Valjas, and the Prime Minister, Mr Indrek Toome. Each was careful to stress tbat the republic's demands for more sovereignty did not mean independence

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MARKETS

STERLING
New York lunchtime: \$1.754
London: \$1.753 (1.76)
DM3.195 (3.2075)
FFr10.89 (10.9425)
SFr2.7275 (2.73)
Y221.25 (222)
£ index 96.5 (96.7)

GOLD
New York: Comex Apr \$392.8
London: \$389.2 (391.5)

N SEA OIL (Argus)
Brent 15-day Mar \$14.30 (16.85)

Chief price changes yesterday: Page 22

DOLLAR
New York lunchtime
DM1.823
FFr6.2060
SFr1.5572
Y126.32
London:
DM1.823 (1.8225)
FFr6.2125 (6.2175)
SFr1.5585 (1.5515)
Y126.25 (126.2)
\$ index 66.9 (66.5)

US LUNCHTIME RATES
Fed Funds $9\frac{5}{16}$
3-mo Treasury Bills: yield: 8.911%
Long Bond: $98\frac{3}{4}$ yield: 9.169%

STOCK INDICES
FT-SE 100: 2,019.5 (+2.9)
FT Ordinary: 1,663.4 (+2.7)
FT-A All Share: 1,050.47 (+0.2%)
FT-A long gilt yield index high coupon: 9.19 (9.14)
New York lunchtime DJ Ind. Av. 2,257.66 (-31.76)
Tokyo: Nikkei Market closed

LONDON MONEY
3-month interbank: closing $13\frac{1}{8}$% (same)

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Austria Sch22; Bahrain Din0.650; Bermuda \$1.50; Belgium BFr48; Canada C\$1.00; Cyprus C£0.90; Denmark DKr10.00; Egypt E£2.25; Finland Fmk7.00; France FFr7.00; Germany DM2.30; Greece Dr120; Hong Kong HK\$12; Iceland IKR125; India Rup15; Indonesia Rp3,100; Ireland I£0.60; Israel NS3.50; Italy L1700; Japan Y600; Jordan Fils.500; Kuwait Fils.600; Lebanon SL125; Luxembourg LFr48; Malaysia Rin4.25; Malta 30c; Mexico Pes300; Morocco Dh6.00; Netherlands Fl3.00; Norway Nkr10.00; Portugal Esc120; S.Arabia Rls7.00; Singapore S\$4.10; Spain Pta145; Sri Lanka Rup30; Sweden SKr9.00; Switzerland SFr2.30; Taiwan NT\$65; Thailand Bht50; Tunisia Din0.800; Turkey L600; UAE Dh6.50; USA \$1.00.

Eight feared dead after explosion aboard airliner over Pacific

AN explosion ripped open the fuselage of a United Airlines jumbo jet bound from Hawaii for New Zealand yesterday, killing it is thought eight people, Reuter reports from Honolulu.

US government sources said up to eight people were reported missing and presumed dead, possibly sucked from the airliner through a 10ft by 40ft hole in its right side.

The airliner returned safely to the Honolulu airport.

United Airlines in Chicago said there were deaths and injuries but did not know how many.

It had no information on the cause of the explosion.

An employee at Honolulu airport said the crew of the jumbo jet reported a possible bomb explosion aboard the aircraft.

A woman passenger who survived the incident told a radio reporter: "People were sucked out or they were gone. I heard no explosion, only the sound of something coming away, just the air that would come in when you create a vacuum, the wind that would come through.

"It was a ripping away. I don't recall hearing an explosion. It was just like the plane came apart."

Mr Sandy Pierce, a radio reporter, said the United Airlines plane had received a bomb threat in flight. "They turned around to return to Honolulu and before they got here an explosion did occur."

Another surviving passenger, Mr Gary Garber of Los Angeles, said he was sitting in the business-class section of Flight 811 when the explosion occurred.

"There were three or four rows of people who were just blown out of the plane," he told a radio reporter.

Lt Edward Akiona of the Honolulu airport police told Reuters about a dozen people had been taken to four area hospitals.

"It seems like the cargo door is missing," he said.

Mr Mike Moroney, a spokesman for the Federal Bureau of Investigation (FBI) in Honolulu, said: "Our information is eight to 10 people are missing."

He said Flight 811 usually originates in San Francisco and stops in Los Angeles before flying to Honolulu. Airline agents in the US said this was the route taken on the latest flight and that from Auckland, New Zealand, it would have headed to Sydney, Australia.

United Airlines said there were 336 passengers aboard the plane and about 20 crew, whom they praised for doing a "superb job" in bringing the jumbo back safely to Honolulu.

FBI agents in Honolulu were interviewing passengers at the airport, and FBI laboratory personnel and bomb technicians were on standby in Washington, monitoring the situation.

The pilot of the Boeing 747 had reported to the Honolulu control tower that there was an emergency aboard, an employee of the Hawaii State Department of Transportation said.

"He said there was a possible bomb explosion and that the number three engine was shut down."

Two months ago a Pan Am airliner was blown out of the sky over Lockerbie, Scotland, killing 270 people. The Boeing 747 was torn apart on December 21 by a bomb that investigators said was made of plastic explosives and concealed in a radio-cassette player.

In addition to the 259 passengers and crew on board the plane, 11 people were killed on the ground in Lockerbie.

There were various claims of responsibility for the bombing over Lockerbie, including one from a militant Islamic group that said it was avenging the downing of an Iranian airliner by a US warship over the Gulf last July in which 290 people were killed.

Last year an Aloha Airlines Boeing 737 was crippled in flight over the Hawaiian island of Maui when a hole blew open in the fuselage. One crew member was killed but the airliner, carrying 90 people, landed safely.

Ten die in Indian riots over Rushdie novel

By Our Foreign Staff

INDIAN police yesterday shot dead at least 10 Moslems demonstrating in Bombay against the novel *The Satanic Verses* by Mr Salman Rushdie, the Indian-born British writer. A total of 17 people have been killed in riots over the book in India and Pakistan in the last two weeks.

The police said they fired on a violent, 10,000-strong crowd attempting to march to the British Deputy High Commission after Friday prayers.

Earlier the police had arrested about 500 people and banned the march in an attempt to avert trouble, but the protesters stoned cars and set buses alight. Dozens of people were injured.

Tension between Moslems and Western countries over Mr Rushdie's novel, which is said by its critics to blaspheme against Islam and the Prophet Mohammed, was sharply increased last week when Ayatollah Ruhollah Khomeini of Iran ordered Moslems to kill Mr Rushdie.

The dispute has been marked by mutual incomprehension. Many Moslems find it inexplicable that the West can condone publication of such a work, while many non-Moslems have defended the principle of free speech and have been outraged by Iran's death threats.

European Community countries have withdrawn their ambassadors and heads of mission from Tehran in protest. But the Soviet Union and Japan have taken a much conciliatory approach to the Iranian authorities, and are both keen to expand trade links.

Mr Eduard Shevardnadze, the Soviet Foreign Minister, is to visit Tehran today as part of a Middle East tour and is expected to meet Ayatollah

Rushdie: in hiding

Khomeini. It will be the first visit by a Soviet Foreign Minister since the Iranian revolution 10 years ago.

Sir Geoffrey Howe, the British Foreign Secretary, sent a message to Mr Shevardnadze urging him to join the West by condemning the death threats and by asking Iran to renounce violence against Mr Rushdie.

Japan is resisting British pressure to recall its ambassador from Tehran. Mr Susuke Uno, the Foreign Minister, rejected the idea during a meeting with Sir Geoffrey in Tokyo, although he did say that the Ayatollah's assassination call was unacceptable.

In a sermon in Tehran yesterday, Hojatoleslam Ali Akbar Hashemi Rafsanjani, speaker of the Iranian parliament, attempted to distance Iran from any individual attack on Mr Rushdie. "If any Moslem carried out his duty, this cannot have any link with the Islamic Republic of Iran," he was quoted as saying by the Iranian news agency.

"The ground has been laid for a vast battle between Islam on the one hand, and paganism and arrogance on the other," said Mr Rafsanjani. He urged Western nations to say clearly whether they agreed with Mr Rushdie's novel or not.

Poland asks West to credit its reforms

By John Lloyd in Moscow

POLISH ministers yesterday made an open appeal to Western governments to recognise the extent of political and economic reforms and to treat Poland accordingly in the granting of further credits to modernise its economy.

A stream of ministers and senior officials of the Polish United Workers (communist) Party, headed by Prime Minister Mieczyslaw Rakowski, have appeared before an economic forum convened for the world's press to describe in detail economic and political changes – many of them now under active discussion in round-table talks involving the Solidarity trade union, banned until recently.

Mr Domik Jastrzebski, the Minister for Foreign Economic Relations, said: "We were told that if we had free trade unions, a free market and political pluralism we could have a normal credit relationship. On our side, all this has been done – tell your governments."

The government has moved a considerable distance in the round-table talks – agreeing in principle to the legalisation of Solidarity in return for the union's acquiescence to an electoral system which would at least in the next elections, guarantee the government coalition a majority, but would build in an elected opposition; and to a more market-oriented economy, already being created. Large disagreements, however, remain between the two sides in the third week of the talks.

Mr Andrej Wroblewski, the Finance Minister, said Poland was adopting tax reforms aimed at achieving uniform personal and corporation taxes and at shifting the tax burden towards value-added tax.

He said that over the next two to three years, the government would:

- Introduce hard currency auctions, in which, in the first instance, 25 per cent of hard currency reserves would be auctioned freely. This would, he said, create "a more realistic exchange rate". At present, the zloty trades on the black market at seven times the official rate.
- Seek greater access to world financial markets. The burden of servicing Poland's $39bn of foreign debt ($27bn of which is guaranteed by governments) is now under urgent review. In particular, Mr Wroblewski said he would put new proposals to the West German government on the so-called "jumbo credit" of DM 1bn advanced in the 1970s to the Gierek government and never repaid. Settlement of this, said the Finance Minister, was seen by world markets as critical for the advancing of further government-backed credit.
- Achieve internal convertibility of the zloty.

Third Mandela bodyguard on murder charge

A THIRD member of Mrs Winnie Mandela's bodyguard, the "Mandela United Football Club", appeared in court yesterday charged with the murder of 14-year-old activist Stompie Moeketsi, Reuter reports from Johannesburg.

Mr David Morgan, 61, appeared before Johannesburg magistrates on charges of killing Stompie, whose rotting body was found last month in a Soweto ditch.

Two other Mandela bodyguards appeared in court earlier this week accused of murder.

Mr Morgan, who drove the club's minibus, made no plea or declaration and his case was postponed until March 10.

Stompie's death and the alleged involvement of the bodyguards has caused a deep rift between Mrs Mandela, wife of jailed African National Congress leader Nelson Mandela, and leading black anti-apartheid groups.

Soweto has recently seen three murders, a firebomb attack and a campaign of abduction and assault, all thought to be linked to the allegations of murder and gang violence laid against Mrs Mandela's bodyguards.

Death prompts Nablus curfew

By Andrew Whitley in Jerusalem

AN ISRAELI soldier died yesterday in the West Bank city of Nablus after a concrete block was dropped on his head from a rooftop in the casbah district. Nablus, the scene of some of the fiercest clashes of the uprising, was immediately placed under curfew.

During the course of an unusually bloody 24 hours, an Irish soldier serving with the UN peace-keeping forces in southern Lebanon was also killed yesterday by militiamen from the Israeli-backed South Lebanon Army (SLA), in an incident likely to heighten tension in the region.

Last weekend, two Norwegian soldiers were seriously injured when Israeli tanks opened fire without warning on their patrol. The army apologised for the incident.

A UN spokesman said yesterday that heavy machine-gun fire had been directed by the SLA against an Irish checkpoint on the edge of Israel's "security zone", killing the 22-year-old soldier. "We do not know the reasons. We have told the Israelis about the shooting, but it seems they do not care," an Irish officer said.

Armed, trained and financed by Israel, SLA forces killed three Palestinian guerrillas of the radical Democratic Front for the Liberation of Palestine on Thursday night.

The Israeli Foreign Ministry yesterday said the attempted infiltration showed that the Palestine Liberation Organisation – of which the DFLP forms a part – had not abandoned terrorism. After the last attempted cross-border attack this month, Israel made a determined attempt to persuade Washington to abandon its dialogue with the PLO.

Afghan call for recognition

By Christina Lamb in Islamabad

MR Sibghatullah Mojadeddi, President of the newly-formed Afghan government-in-exile, has said it will move into Afghanistan within a month and appealed for recognition to the United Nations and "all friendly countries".

Only a day after its formation, there has already been a cabinet reshuffle, with the hardline fundamentalist Mr Gulbuddin Hekmatyar relinquishing the defence portfolio for the foreign ministry, apparently after powerful commanders from the party of his rival, Mr Burhannuddin Rabbani, refused to accept him.

The initial cabinet had in the most powerful positions the four fundamentalist leaders of the seven-party, Pakistan-based resistance alliance, headed by Mr Abdul Sayyaf, a Saudi-backed ally of Mr Hekmatyar and a member of the Wahabi sect. The switch gave the moderates more control in the Government.

It was formed after a 425-member *shura* voted for their two favourite leaders in a bizarre popularity poll which seemed to negate the purpose of the *shura* – to form a broad-based government.

Western diplomats in Islamabad were cautious on the question of recognition, saying the Government must first prove acceptable to Afghans.

'Everyone a winner' as Las Vegas greets Bruno

Michael Thomson-Noel reports from Nevada's 'finely calibrated money machine'

PRIZE fights come and prize fights go, but Las Vegas spins for ever – beyond parody, beyond taste, a pulsar of throbbing neon.

This weekend, Las Vegas is packed to the roofbeams for tonight's heavyweight boxing championship fight at the Las Vegas Hilton in which a brave British challenger, Frank Bruno, 27, is expected to be pounded into oblivion by the iron fists of America's Mike Tyson, 22, the undisputed and undefeated world champion.

Bruno is likely to earn at least $6m – and Tyson a great deal more – from a fight which represents Britain's 13th eccentric attempt this century to wrest the heavyweight crown. But the bookmakers are not impressed, rating Bruno a 6-1 no-hoper who will have achieved a major miracle if he is still on his feet in the perilous interval between the end of God Save the Queen and the start of the first round.

As for Tyson, he is in murderously fine shape – and 9-1 on. "We've had a few bets on Bruno – $1,000 to win $6,000", one casino manager told me yesterday, "but we have also had money for Tyson – people betting $45,000 to win $5,000, that kinda deal. When people come to Vegas, they've got money to burn."

Yesterday, dodging up and down The Strip and in and out of the casinos, it was possible to gauge how a major sports event like tonight's heavyweight clash can seem like relatively small potatoes to the men who run Las Vegas.

Tonight's bout will be staged in the 9,860-seat indoor Hilton Centre. To get the fight, Hilton paid the Tyson camp $7m, which it expects to recoup from the live gate. Tickets cost $100 to $900.

"The real pay-off," said the Hilton, "resides in the fact that 1,000 of Hilton's best customers will be at the ringside. We have sold $1m of tickets to other hotels. Fifty per cent of the ringside audience will be avid gamblers. The bottom line is that the Las Vegas Hilton made $46m profit last year.

Once the haunt of mobsters, Las Vegas is now such a finely-calibrated money machine that it is bulging at the seams. Last year it drew 17.2m visitors, against 16.2m the year before. Gaming revenue in Clark County, which includes Las Vegas, grew by 9.6 per cent to a little over $3bn (£1.7bn). Las Vegas has 61,394 hotels and motel rooms with 11,484 more under construction, and 30,000 at the planning stage.

Bugsy Siegel loved Las Vegas. So did Howard Hughes. It's patron saint is Elvis, its spirit Liberace's. It is a stairway to the stars, a beacon to the galaxies. For Frank Bruno, though, it is likely to prove a pain in the neck.

Sterling should join EMS, says Brittan

By David Buchan in Brussels

THE UK could put at least a temporary brake on further big institutional steps in the European Monetary System (EMS) by placing sterling in that system, Sir Leon Brittan, the UK's senior new Commissioner, suggested yesterday.

Sir Leon stated his own strong personal preference for "proceeding slowly and cautiously" along the road to monetary union, on which the Delors committee of central bank governors is to report in April. The prospect of one European central bank at the end of this road is anathema to the UK government.

In his second speech in as many weeks to a British audience on sterling and the EMS, Sir Leon was clearly trying to show that it was in the UK's interests to place its currency in the EMS parity grid, as well as to mark himself out as a commissioner with interests outside his immediate EC portfolio of competition policy and financial services and with views independent of Mr Jacques Delors, the commission president.

"Membership of the EMS would not only strengthen Britain's voice in arguing for a period of consolidation and caution", Sir Leon told the European Business Institute in London. "It would also amount to so major a change in the monetary situation as to make the objective case for such a consolidation immeasurably stronger."

Sterling had become even more important a financial medium since all exchange controls were lifted in 1979, and its entry into the EMS would "considerably increase market pressures on the system", Sir Leon said.

With sterling inside the EMS parity grid, Britons would have to accept "systematic discussion between central banks of mutually consistent monetary targets and how best to achieve them". Interest rate changes would have to be used to keep sterling within its margins in the system, but the UK was hardly a stranger to such rates changes outside the EMS, Sir Leon pointed out.

In addition to agreement on medium-term objectives, the UK would have to subscribe to "a clear commitment to have recourse to the significant sums now available for intra-marginal intervention on the exchange markets", he said. The clearer this commitment, paradoxically, the less the need to use such funds, he added.

Belgian defence spending cuts proposed in report

By David Buchan

A POLITICAL battle is starting over Belgian defence spending with a top army report that offers a modest BFr2bn (£31m) of annual savings in the evident hope of heading off larger reductions.

The report was drawn up by Gen Joseph Charlier, the chief of staff, at the request of Mr Guy Coeme, the Socialist Defence Minister, under conflicting pressure at home to help plug the country's serious budget deficit and from Nato allies to improve Belgium's sagging defence effort.

The Charlier report, supported by the three service chiefs, is now to be debated in the Belgian coalition government. But it bodes ill for French, US, and a Anglo-German-Italian consortium of manufacturers hoping this year to sell Belgium a successor to the F-16, which may now be updated rather replaced.

Other savings in the defence budget, which totalled BFr130bn last year, would come from pulling some units back from Germany (Belgium has the highest ratio, among Nato allies, of its forces stationed abroad, 26,600 out of 88,300), putting conscripts straight into regular units rather than training camps, giving active and reserve units common equipment, and in effect lengthening conscription by making conscripts liable to immediate call-up for three months after demobilisation.

This week Mr Coeme presented the Charlier report to his Cabinet colleagues without openly endorsing it. But the report is likely to become the minimum sacrifice asked of the Defence Ministry in the Government's bid to pull back the public deficit from 8 to 7 per cent of gross national product in the next couple of years.

EC-Seoul talks 'progress'

By William Dawkins in Brussels

SOUTH KOREA and the European Community are making progress in resolving their dispute over intellectual property protection, according to Dr Han Seung Soo, Seoul's Trade and Industry Minister.

Dr Han said that if the row was solved, South Korea would expect the EC to resume its trade privileges under the Generalised System of Preferences, which allows duty-free access to the Community for some products from developing countries.

The EC scrapped its GSP accords with South Korea 14 months ago after Seoul refused to extend to European companies the same degree of patent protection as their US competitors, the first time Brussels has used this weapon.

Seoul has since offered to do so. However, Commission officials said the session made little tangible progress beyond re-opening the dialogue on a number of trade sensitivities. They were awaiting further proposals from Seoul.

Nicaragua may allow visit by Contras

By Tim Coone in Tegucigalpa

A DELEGATION of Contra rebel leaders may soon travel to Nicaragua to meet leaders of the internal opposition and discuss the peace proposals made at the recent Central American summit.

According to negotiators who have helped draft the proposals, the US-backed Contras remain sceptical over the pardon and electoral reform proposals made by Nicaraguan President Daniel Ortega in the past week, and apparently wish to talk with political opposition leaders in Nicaragua.

The negotiators say it is highly probable that, as a confidence-building measure, the Nicaraguan Government will allow a Contra delegation to visit, giving them freedom of movement in Nicaragua and letting them hold informal talks with the opposition.

The Contras were taken aback when the five Central American presidents agreed at the summit to demobilise the estimated 10,000-strong Contra army based in Honduras, although it is emphasised that the demobilisation would be voluntary.

The Honduran army will receive the discarded US-supplied arms, and will dismantle the Contra camps once they have been evacuated.

Changes in coffee quotas proposed

Costa Rica and Peru made proposals yesterday for adjusting coffee producing nations' export quotas, in efforts to reach a new international agreement to defend prices, Reuter reports from London.

They presented their ideas on the last day of a round of talks at the International Coffee Organisation (ICO) on renewing the present six-year accord which expires in September.

Mr Luis Escalante, Costa Rica's Foreign Trade Minister, said his country wanted a fairer distribution of coffee export quotas among producers. Quota shares have hardly changed since the first coffee agreement in the 1960s.

Consumers and some producers in the 74-nation ICO think the quota allocation needs revising but delegates said Brazil, the biggest producer, did not seem keen on Costa Rica's suggestion.

Amato resignation report denied

An official denial yesterday that Mr Giuliano Amato, the Italian Treasury Minister, was thinking of resigning is unlikely to kill speculation that he may be ready to depart because of opposition to public spending cuts, reports John Wyles in Rome.

A front page story in yesterday's Corriere della Sera newspaper reported that Mr Amato, a Socialist, thought the prospects of pushing spending cuts through the cabinet might be greater if his office was held by a member of the Prime Minister's party, the Christian Democrats.

French foreign trade deficit down

France's foreign trade deficit fell to FFr2.8bn (£255m) last month after seasonal adjustments, improving from the average of FFr4bn a month recorded towards the end of 1988, George Graham reports from Paris.

The growth last month in imports to FFr97.1bn was outstripped by the increase in exports to FFr94.3bn.

The French surplus in agricultural and food products trade expanded by FFr1bn to FFr4.5bn in January, and the deficit in energy trade narrowed by FFr500m to FFr5.6bn. The industrial goods deficit, however, deteriorated by FFr400m to FFr5.8bn, with continued substantial imports of capital equipment.

France's trade deficit with its European Community partners fell to FFr3.1bn in January, from FFr3.7bn in December, but the deficit with West Germany, its main trading partner, worsened to FFr5bn, from FFr4.7bn in December.

Mrs Aquino keeps the wolves at bay

The Philippines' unassuming president has come a long way since being thrust into power three years ago today, writes **Richard Gourlay** in Manila

The 'self-proclaimed housewife' campaigning in 1986

THREE years ago today Mrs Corazon Aquino, a self-proclaimed housewife previously known only as the widow of a charismatic political martyr, came reluctantly to power in the aftermath of a military and civilian revolt against Ferdinand Marcos.

Her political naivete was refreshing after the cynical money-grabbing "sophistication" of the Marcos years. But her unassuming style and early fumbles were soon equated with weakness in the democracy she wanted to rebuild. One huff would show Mrs Aquino's new house was made of straw, the argument went.

By the end of 1986, with a stabilising vote on a new constitution looming, the huffing and puffing reached a crescendo. Mrs Aquino's truculent defence secretary, Juan Ponce Enrile, was linked with repeated coup-mongering by disgruntled officers and sacked; a labour leader, Rolando Olalia, was murdered in what looked like an attempt to stir a left wing backlash; and two days after Mrs Aquino told businessmen in Tokyo how welcome they were in the Philippines, the Japanese manager of Mitsui was kidnapped.

But the edifice held and in retrospect Mrs Aquino's house started to look like it was made of wood and not straw.

Two attempted coups later – the latest in August 1987 which came within a whisker of success – and the Philippines this weekend is a quite different place. Democratic institutions and economic recovery are increasingly being built with bricks and on solid foundations.

Arguably Mrs Aquino's greatest achievement in her first three years of office was simply to survive. Under her uncharismatic and benign tutelage a constitution however flawed has been written and ratified and a Congress however unruly has been restored.

As important, while the administrative, legislative and judicial arms of government have struggled to emerge from the hangover of a 14-year binge under Marcos, the private sector has regained confidence and reversed a dangerous economic slide with two years of 6 per cent plus growth.

Signs of a country raising its head above water abound, although the enduring problem of spreading the benefits remains.

In the process Mrs Aquino has lost some of her innocence. In dealing with the most immediate threat to her government from the military Mrs Aquino has had to move to the right. And although the situation has improved from the Marcos years, human rights abuses by the military still often go unchallenged by government.

On a more personal level Mrs Aquino had to discard notions of negotiating peace with the communist New People's Army guerrillas. And in possibly her saddest sacrifice at the altar of expediency, Mrs Aquino dropped Mr Jaime Ongpin, her finance minister, to silence bickering in her cabinet, and did it with so little public acknowledgement of his role in galvanising the business sector against Marcos that it led to his suicide.

Mrs Aquino has survived these bruising passages while "rediscovering democracy by trial and error" as her press secretary puts it. She has matured as a politician and a pragmatist and in her grasp of issues, according to visiting statesmen and diplomats. Mrs Aquino may also be countering her critics' deftest jibe, that she has no vision beyond surviving the end of her term in 1992.

Officials say the economy now takes most of her time and that she is particularly concerned with spreading the benefits of recovery to the poorest in the countryside. The New People's Army has more to fear from economic growth than from the military, many believe.

Philippine politics is such that big bad wolves are inevitably lurking ready to resume puffing at the walls of democracy if the economy shows signs of floundering.

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OVERSEAS NEWS

Bérégovoy and Pöhl clash on interest rates

By David Marsh in Bonn

MR Pierre Bérégovoy, the French Finance Minister, and Mr Karl Otto Pöhl, president of the West German Bundesbank, clashed privately this week in Paris over French fears of rising German interest rates.

Mr Bérégovoy voiced anxiety that the Bundesbank might launch a new round of "interest rate escalation" at a meeting on Wednesday of the Franco-German Economic Council. The two countries were concerned to play down the row after the meeting to avoid disturbing the foreign exchange markets. Consequently, in statements afterwards, the French and the Germans placed emphasis on the common fight against inflation.

Pressed about German interest rate policies, Mr Pöhl told Mr Bérégovoy that the Bundesbank had merely been responding to market pressure in raising leading interest rates in recent weeks.

Mr Pöhl also told the French that the Bundesbank's policy was decided not simply by the president but by the central bank's 18-member council. Mr Pöhl pointed too to the role played by tighter money in the US in influencing German monetary policy.

After this long explanation, Mr Bérégovoy replied sarcastically: "That means you must be planning something."

The Bundesbank raised its discount and Lombard rates by half a point to 4 and 6 per cent respectively last month. Speculation is rising of another increase when the council meets next Thursday, following a fresh increase in the Bundesbank's interest rates on its securities re-purchase transactions with banks this week.

However, officials yesterday pointed out that the renewed weakening of the dollar might make such an increase unnecessary.

France fears that gradual tightening of the Bundesbank's monetary policy will put pressure on the franc within the European Monetary System, where exchange rate parities have not changed for more than two years.

Portuguese hit by another transport strike

By Diana Smith in Lisbon

PORTUGUESE commuters were hit yesterday by mass transport strikes for the second time this month.

Transport unions attempted a total stoppage of rail, bus, ferry and tram services in protests at soaring inflation (12.2 per cent a year), shrinking real wages (average 1989 increases of 8.5 to 9 per cent) and new labour rules aimed at bringing Portugal's rigid hiring and firing laws closer to EC practices. Post office staff, who held a one-day stoppage on Monday, struck again yesterday.

However, unlike the almost total transport strike on February 3, when there was no government intervention apart from supply of a few private buses, the authorities yesterday ordered Lisbon Underground workers to work or face dismissal. Underground trains ran normally.

It has taken eight years for Portugal to get labour law changes on to the statute book; the change finally came at a time of edgy relations between government, unions and management.

Worker and business confederations feel they were insufficiently consulted over labour law changes.

Rocketing inflation and the Government's refusal to acknowledge the gravity of the *problem until its standing* in opinion poll hit record lows, and punitive new taxes for companies and individuals, have all eroded a consensus achieved in the days before the Prime Minister, Mr Anibal Cavaco Silva had an absolute majority and used to negotiate rather than ordain.

Hong Kong to seize proceeds of drug dealing

By John Marray in Hong Kong

THE Hong Kong authorities are stepping up the battle against international drug trafficking with the introduction of laws countering money laundering and allowing confiscation of the proceeds of drug dealing.

The bill, published yesterday and likely to become law within three months, is modelled on the Drug Trafficking Offences Act introduced in the UK three years ago. It brings Hong Kong laws into line those of with countries such as the US, Canada and Australia.

Courts will be able to freeze assets of defendants in drug cases, and may confiscate their property upon conviction.

There will be a maximum penalty of 14 years' jail for those convicted of helping traffickers launder funds. People will be obliged to report financial transactions which they know or suspect are connected with drug trafficking.

Mr Geoffrey Barnes, the colony's Secretary for Security, said the success of the legislation would depend largely upon the co-operation of financial institutions.

The Hong Kong Association of Banks and other industry bodies were consulted during the drafting of the law and the banks have drawn up their own guidelines for staff on internal reporting mechanisms.

Hong Kong's role in the international drug trade was highlighted earlier this week after several arrests were made in the territory in connection with the record heroin seizure in the US.

South Korea's surplus cut

By Maggie Ford in Seoul

A SURGE in imports following a government decision to open markets has cut South Korea's current account surplus from \$908m (£519m) in January 1988 to \$536m last month, according to the Bank of Korea, the central bank.

Imports grew by 21 per cent to \$4.02bn, compared with \$3.3bn in the sama month last year, boosted by a reduction in tariffs from January.

Exports registered slower growth of 11 per cent to \$4.5bn, *compared* with \$4bn last year. The slowdown was expected following the strong December figure of \$6.2bn as companies closed the books for the year.

The January trade surplus of \$430m, compared with \$679m last year, was welcomed by government officials under pressure to reduce the surplus, *especially from the US.*

An official at the Economic Planning Board said the Governmant would continue efforts to boost imports in the hope of keeping tha current account surplus below \$10bn for the year. Last year South Korea recorded a surplus of \$14.3bn and a growth rate of 12 per cent.

Poor harvest prospect adds to Argentine woe

By Gary Mead in Buenos Aires

ARGENTINA faces its worst cereals harvest in a decade, according to the Buenos Aires grain exchange. The crop is expected to be 19 per cent down on last year.

Late 1988 forecasts had predicted a crop of more than 40m tons, worth \$5.5bn (£3.1bn). Estimates now suggest a 29.8m-ton harvest, worth \$3.8bn.

A persistent drought, which has affected key farming areas for several months, has reduced the number of hectares sown to 18.4m, 4.7 per cent less than last season and the lowest for 20 years. Particularly badly hit is one of Argentina's biggest earners of foreign currency, maize, production of which is estimated to be 37 per cent down on last season. The final maize crop is projected to be 5.8m tons.

Agricultural analysts say that low harvest expectations are only partially explained by the severe drought. Another key factor has been government exchange rate policy, which has been used as a form of indirect taxation on agricultural exports.

That policy was readjusted at the start of February in order to alleviate pressure on interest rates and stabilise the austral. However for much of the month Argentina has experienced soaring interest rates, which reached 40 per cent per month yesterday.

Government officials said that they expected interest rates to drop next week, and that the high levels were due to unofficial and illegal currency futures traders who, in the search to attract sufficient cash to settle end-of-month dealings, were pushing up rates. Those same officials are coming under wider attack as the economy heads for further chaos.

UK NEWS

Why Treasury might see the green light this year

Ralph Atkins explains how tax incentives could help promote a cleaner and healthier environment

BUDGET 89

IT SEEMS that even the Treasury is turning green at the edges. Since last year it has used envelopes marked "recycled paper," while ministerial cars run on lead-free petrol.

Budget day on March 14 might see further tentative steps being taken in using the tax system to promote a cleaner, healthier environment.

The betting is on bigger tax incentives for unleaded petrol, after the conversion of the Queen's fleet of Rolls-Royces. And there is no shortage of other ideas being proposed by environmental groups and academic economists.

In theory, it would be an ideal year for Mr Nigel Lawson, the Chancellor, to prove himself a friend of the earth. Green issues are high on the political agenda, while macro-economic considerations are likely to mean an otherwise lacklustre Budget.

Of conrse, it would be unwise to hope for too much, if only because of the inbuilt conservatism of the legislative system. Many suggestions hava got no further than textbooks. Assumptions that the Government would be willing to extend the use of taxes in influencing behaviour might founder on its well known opposition to unnecessary market distortions or fiscal fine-tuning.

An obvious start to a green tax programme would ba to boost sales of unleaded petrol. There is a consensus among the environmental lobby that the differential compared with normal four-star petrol needs increasing if its use is to become widespread. According to this argument, the gap between unleaded and leaded petrol at the pumps should be raised from 6p to between 10p and 12p.

The battle against lead pollution would be helped further if tax breaks were given on new cars that take unleaded petrol or, better still, were fitted with catalytic converters that remove other exhaust emissions.

The use of sales taxes to safeguard the environment could subsequently ba extended to other areas. The aim would be to make prices paid by consumers reflect the cost of damage to the environment caused by a particular product or service. In economists' language, market prices would be equated with social costs.

Friends of the Earth, the environmental organisation, proposes imposing a special sales tax on pesticides. That would compensate for undesirable side effects on the principle of "polluter pays."

Mr Charles Secrett, campaign co-ordinator, said: "We have a serious problem of pesticide contamination, particularly of watercourses, which means that in many areas water quality doesn't meet European standards. Yet it is extremely expensive to monitor and control."

The advantage of a sales tax is that it could be directed precisely, without the clumsiness of an outright ban. Specific pesticides would be listed – and the extra tax imposed might even be varied according to the damage caused. Any aversion to levying extra taxes might be eased by dubbing it a "pollution charge."

Another variant, also proposed by Friends of the Earth, would be a resources tax. That would be imposed on commodities such as aluminium or paper pulp where there is scope for increasing recycling to ease damage to the environment from intensive forestry or mining.

If companies and individuals gave more thought to increasing recycling, it need not increase costs. More aluminium cans, for instance, could be recycled if labelled to show whether they contained impurities. Mr Secrett of Friends of the Earth says: "This would be a way of producing less waste, saving valuable raw materials and reducing the environmental impact of mining all at the same time. Everyone would benefit."

A more ambitious scheme – almost certainly stepping beyond the scope of Budget changes – would use "marketable permits." Under the scheme, companies have permission to emit a certain amount of pollution but total emissions are controlled by restricting the number of permits available.

However, unlike a straight sales tax, companies could trade permits between themselves, according to the cost of cutting their emissions. Its appeal to the Government is that it offers a market-based solution to correcting imbalances between market and social costs.

Marketable permits would only work where there was a small number of polluters – they would be useless for controlling car emissions – but could be used in the chemicals industry or to control acid rain caused by sulphur dioxide and nitrogen oxides emitted from power stations.

Professor David Pearce of University College, London, says: "The people who find it very expensive to control pollution would go for the permits. People who find it easy to control pollution would sell theirs. It is exactly what you want them to do to minimise the cost to the nation of reducing pollution."

He adds: "The problem is how to sell it to industry. My solution would be to say you can either have stricter and stricter standards or you can have the same regulations but get it very much more cheaply if we use this sort of mechanism."

There are other, less sweeping, changes that the Government could make. Friends of the Earth says a big increase in taxes on petrol would discourage unnecessary use of cars and help to promote *public transport.*

A shift in the burden away from vehicle excise duty (which Friends think is beset by widespread evasion) towards tax on petrol would penalise heavy use, rather than taxing car ownership. There would also be environmentally advantageous side effects to removing tax benefits on company cars. Incentives to buy more expensive, petrol-guzzling vehicles would be removed.

Green taxes are likely to be mostly revenue-raising – *perhaps unwelcome for a Chancellor* facing a big public-sector debt repayment. His embarrassment could be eased, however, if alongside revenus implications in ministers' briefing notes, officials were to set out the environmental gains.

TODAY'S ARTICLE is the last of this part of our pre-Budget coverage. *The series started on January 31* **with an overall look at the Chancellor's options. The remaining articles were on tax reform, February 4; political pressures on Mr Lawson, February 13; capital gains and inheritance taxes, February 14; taxing overseas residents, February 15; Personal Equity Plans, February 16; life assurance taxation, February 17; company cars, February 18; the Business Expanson Scheme, February 20; overseas trusts, February 21; the Medium Term Financial Strategy, February 22; unit trusts, February 23; corporation and income tax and National Insurance, February 24.**

Windsor cable TV cleared to set up phone net

By Hugo Dixon

WINDSOR Television has received permissioo for toe first large-scale telecommunications project by a UK cable television company. Oftel, the telecommunications watchdog, has told Windsor it may build a rival network to British Telecom's in the Langley, Maidenhead, Slongh aod Wiodsor areas.

Nevertheless, Oftel hss pinned high oopes oo the cable companies as the main way of breaking BT's monopoly at the local level. Mercury Communications, the only company licensed to compete with BT nationally, is expected by Oftel to be an important rival only on long-distance routes and for business customers.

Until Oftel's new decision, there have heen only three pilot telecommunications schemes hy cahle companies – each containing a few hundred premises. Windsor TV ran one of them in Slough Industrial Estate, but its new catchment area will be more than a hundred times that size.

All cable companies are allowed to set up competing telecommunications networks in tbe areas where they have been granted a cahle franchise, provided Oftel approves. They bave generally not songht the opportunity because of the scale of the investment required and because they are competing against a well entreoched rival.

Mr Nick Pellew, marketing director of Cable Telecom, Windsor TV's telecommunications offsboot, said it was aiming for a 20 per cent penetration of its possible market, which contains 59,000 premises. That would require substantial investments on top of the £1m the company has already invested in its pilot project.

Mr Pellew said the advantages of Cable Telecom's service compared with BT's would be itemised hills and savings of between 10 per cent and 25 per cent on phone charges.

Cable Telecom will be feeding all its customers' phooe calls into Mercury's national network because, under Oftel's present regulations, it has to rely on either BT or Mercury to switch calls on its behalf.

Cahle Telecom is campaigning with Oftel to be allowed to switch its own calls. The watchdog is understood to be sympathetic to its position, hut is committed to its present policy until the end of next year.

Government warned on ITV tender plans

By Raymond Snoddy

DELOITTE Haskins and Sells, the accountancy and consultancy firm, bas warned the Government that it sees "significant problems" in plans to put ITV broadcasting licences out to competitive tender.

The white paper on broadcasting published in Novemher proposed that licences sbould go to the highest bidder after an initial quality threshold, although there have beeo hints that this approach might be modified.

Deloitte, auditor to the BBC and several ITV companies, argues in evidence to the Home Office that governmeot tender plans:

- Take no account of the degree to whicb a particular applicant proposes to exceed the minimum programme quality threshold.
- Contain no system to deter overbidding by applicants.
- Favour applicants with greater capital resources and a lower cost of capital because of the "lump sum" nature of the proposed tenders.

Deloitte also believes that the tenders are likely to be undermined if there is a totally free market in takeovers when the licences are awarded. Deloitte wants to see a three-year moratorium on takeovers to allow the commercial television industry to settle down after the licensing process.

On the main tendering process the Deloitte Media Group argues that the danger of overbidding should be met by obliging the highest bidder to pay only the amount proposed by the second-highest bidder.

"In this way bidders who are unrealistically optimistic about the future prospects of the licence will not be penalised for that optimism," Deloitte says.

It should be possible to make bids in the form of a percentage of advertising and subscription revenue or a mixture of tbat plus a lump sum. Deloitte is also opposed to commercial broadcasters paying a levy in addition to tender price.

W. H. Smith, the retail and distributioo group which will soon have two channels of televisioo on the Astra satellite, would like the BBC's two national television channels to be placed under separate managerial control.

W. H. Smitb Television argues in its evidence to the Home Office that in tbe abseoce of such separation there should be strong provisions in the bill against anti-competitive practices to ensure that oeither the BBC nor a new duopoly should frustrate government policy objectives.

EBC Amro ends currency trading and cuts 40 jobs

By Stephen Fidler, Euromarkets Correspondent

EBC AMRO, once one of the best-known names in the London foreign exchange market, has ceased currency trading, with the loss of about 40 jobs, the bank announced yesterday.

The rest of its operations in London, including asset management, corporate finance and private banking businesses, employing another 60 people, will he incorporated in Amsterdam-Rotterdam Bank's London branch by October.

EBC Amro's activities in Jersey and Switzerland, employing more tban 20 people in each country, will continue.

Amsterdam-Rotterdam in 1985 took over the European Banking Company, formerly a consortium bank in which it was a shareholder, but allowed it to run as a separate entity.

EBCO had a reputation for trading "cahle," market parlance for dealing in sterling versus the US dollar for spot, or two-day settlement. But its currency business, focused on trading between hanks, lost modest sums over the past two years, an official said.

He said the bank did not believe, in view of increasing competitioo, that prospects for the husiness would improve much and it was not felt that the EBC operation would fit well with Amro's own foreign exchange business, focused on corporate clients.

Culture and commerce pull crowds into church

By Alan Pike, Social Affairs Correspondent

MRS MARGARET Thatcher does not always enjoy the easiest of relationships with the Church of England. Last week, however, the Prime Minister went to Uxbridge, in the outer London suburbs, to inaugurate a church project that exhibits some of her Government's favourite values – financial skill, business sponsorship and excellent marketing.

Uxbridge has benefited from the economic growth in the south-east since Mrs Thatcher came to power. Its position close to the motorway network and Heathrow Airport has made it a fast developing office centre.

Demand for building land enabled St Margaret's, the medieval church in the town centre, to sell the site of its hall for £1.5m – a vast sum in the balance sheet of the average parish church. The clergy felt that, as the money had come from developments in the local economy, it should be used in a way that gave something back to the community.

Uxbridge has been described by a business leader whose offices are located there as a "soulless, gold rush town." Even if residents might think that an exaggeration, the town certainly has no cinema, no theatre and almost no outlet for professional music.

The St Margaret's clergy decided to make the church a centre for staging the cultural and other events that never happened in Uxbridge. Bnt, before committing their fands, they had to face a frank question – would the public be likely to attend such functions in a building most people never entered for worship?

With a professionalism that has been a feature of the entire project, they sought the answer by employing a market research organisation to conduct surveys.

That had two ontcomes. Abont half the £1.5m was spent on transforming St Margaret's in a way which, while still enabling it to function as a church, has left it looking much less like a conventional ecclesiastical building and has equipped it for theatre, music, dance and exhibitions.

The other was to launch the project as The Nave, which is described on marketing material as the weekday identity of St Margaret's. "We concloded that marketing events under the title of St Margaret's Churcb would promote images of a draughty, badly lit building with people giving ont tracts at the end of every function," says Mr Hugh Spanner, the project's full-time publicity and development officer. "Nave is a meaningful word in church circles, and a neutral one to people outside."

An average of three events a week is planned – classical, jazz and rock concerts, and well known guest speakers are on the first programme.

St Margaret's will subsidise the programme with £80,000 during the first two years and is seeking £20,000 a year business sponsorship. Half the first year's target has already been reached, with Grand Metropolitan, Marks and Spencer, Coopers & Lybrand and Allied Irish and Lloyds banks among the sponsors. A Midland Bank-sponsored hologram exhibition which followed the Prime Minister's inauguration of the project attracted 2,000 visitors on its first day, compared with an average Sunday congregation of 100.

The St Margaret's staff admit that there have been a few mutterings from traditionalists about casting the money lenders out of the temple. But they see themselves as re-creating the values of the medieval church, when the line between the sacred and the secular was less clearly drawn than it is now.

Housing sales languish as rates stay high

Andrew Taylor says building society figures show a pause in a once booming market

BUILDING SOCIETY lending figures published yesterday will bring little comfort to people struggling to sell their homes in a housing market that, if it is not stuck in reverse gear, certainly remains in neutral.

Tbe number of new loans agreed by building societies last month was more than a third lower than during the corresponding month last year.

Net new commitments totalling 47,000 last month were also well down on the 60,000 loans agreed by societies in January 1987; the 76,000 in January 1986 and 71,000 in January 1985.

The Building Societies' Association has forecast that total mortgage lending by societies, banks and others is likely to decline by about a fifth this year from £82bn to £66bn. That might mean that the number of loans agreed by societies might fall to below 1m for the first time since 1983.

The latest figures show how far the housing market has retreated since mid-summer, when societies were accepting more than 130,000 new loans each month.

Halifax and Abbey National, the two largest building societies, say an improvemsnt in lending since the end of January represents a normal seasonal bounce back after the Christmas and new year holidays rather than a fundamental rise in the housing market.

In fact, the gap between lending levels compared with the corresponding months last year is likely to have widened in February. That is not because the housing market is getting any worse hot because comparisons are being made with exceptional demand in February last year.

Ths very high level of demand persisted through the summer and will continue to affect comparisons for the next few months. By last September, the housing market had begun to retreat. In parts of London, sales ground almost to a halt before Christmas.

Halifax and Abbey say the sharp fall in housing sales appears to have bottomed out with the recent mild weather, but say a seasonal pick-up in demand should not be viewed as a general recovery.

Mr Gary Marsh, senior economist for Halifax, says: "The underlying trend in the market seems likely to remain dull unless there is an early reduction in interest rates. The volume of house sales could fall by up to a quarter this year compared with 1988."

Abbey National, like Halifax, believes that house sales are more likely to fall than house prices. Mr Richard Boulton, Abbey's senior economist, says: "This is supported by the society's regional house price figures which have yet to show a fall – even though we are aware that price reductions have occurred in individual areas within some regions."

Halifax has forecast that house prices are likely to rise by about 5 per cent this year, in spite of higher interest rates and slower economic growth.

The obstacles faced by people trying to sell their home in a thin market is rebounding on builders of new housing who have been unable to complete sales on some sites in southern England because buyers have been unable to sell their existing property.

Crest Nicholson, which last year built about 1,400 homes, says the drop-out rate of buyers unable to complete purchases has risen from about 20 per cent of sales to about 30 per cent.

Many builders have been offering to buy existing homes of purchasers in cases where housing chains are holding up sales. Mortgage subsidies and even price cuts in some cases have been offered to boost sales.

By contrast, house sales have continued to race ahead in northern England, where prices still have to catch up with earlier gains in the south. That is reflected in mortgage demand at building societies, which has remained higher in the north.

New homes account for only about a tenth of annual house purchases, which last year were estimated to have amounted to 2m-2.5m transactions. Builders such as Crest have been encouraged by the recent pick-up in sales, but recognise that the market is likely to remain more tricky while interest rates stay high.

Some builders plan to increase sales to housing associations and building societies, which have recently started housing divisions. Outlets like these – offering a variety of rented housing and shared ownership schemes – are less likely to be affected by interest-rate movements and do not faca the task of having to dispose of existing properties.

None the less, starts made by house builders on new homes might fall by as much as 15 per cent this year, according to some forecasts.

Meanwhile, building societies plan to increase their share of total mortgage lending from about 60 per cent of the home loans market last year to about 65 per cent this year. Some societies, like house builders, have been offering incentives including intsrest-rate discounts on larger loans, in an effort to increase their market share.

The biggest inflnence in the housing market, however, remains the level of interest rates, and an early cut in base rates is unlikely, to judge by the Chancellor'a remarks on Thursday.

BUILDING SOCIETIES' net receipts from savers fell 4 per cent on the previous month to £784m in January, while new mortgage lending was unchanged at £2.2bn, David Barchard writes.

Mr Mark Boleat, director-general of the Building Societies' Association, said the drop in receipts was partly seasonal, but also reflected the delay by societies in putting up their rates to savers after the rise in bank base rates at the end of November.

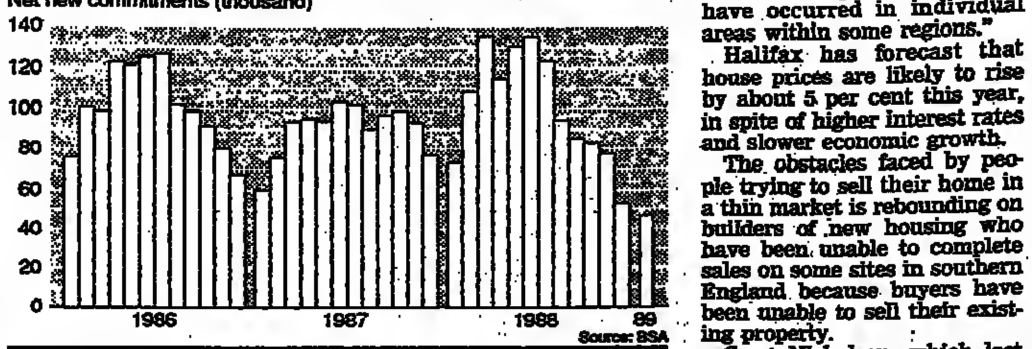
Building society receipts have now been under £1bn for four of the last five months, largely because societies have decided to chase business in the mortgage markets by using a time when the market is subdned to undercut their competitors outside the industry, such as the new mortgage companies.

As a result, building society rates for savers and borrowers are being kept low. In spite of that, most societies say they are awash with retail funds and no shortfall is anticipated in the near future.

Mr Boleat said the January lending figures "reflected the strong competitive position which building societies have been enjoying in the mortgage markets."

Number of loans agreed

Net new commitments (thousand)



Asda deputy chairman will leave

ASDA GROUP, the food retailer, announced a management reconstruction yesterday involving the departure of Mr David Gransby, deputy chairman. Mr Gransby is leaving to coocentrate on his private property interests.

As part of the reorganisation, Mr John Hardman, chairman and chief executive of Asda Gronp, is relinquishing his post as chief executive of Asda Stores. Mr Graham Stow, joint managing director of Asda Stores, takes over.

Mr John Duggan, chief executive of Asda's property subsidiary, is joining the board as property director.

Asda shares closed ½p np at 146p.

Bristol bomb arrests

POLICE investigating the Bristol University bombing arrested 10 people in a series of raids. Five were released on bail yesterday afternoon and others were expected to be released later.

Solicitors representing some of those questioned said their clients had been arrested because of past or existing connections with animal rights organisations.

Forensic scientists were still sifting through the wreckage yesterday and detectives said it would take at least two days to establish precisely what caused the blast.

At least two animal rights groups have claimed responsibility.

Economy 'may slow'

CYCLICAL indicators for the UK economy may be pointing to a slowdown in ecooomic growth, the Central Statistical Office said. It warned, however, that any interpretatinn was provisional.

The longer leading index, looking about a year ahead, fell between December and January.

There was also a fall in the shorter leading index, which looks six months ahead.

Fraud prosecutions at Marconi 'delayed because of Plessey bid'

By Terry Dodsworth, Industrial Editor

A GROUP of Labour MPs claimed yesterday that the Government was delaying fraud prosecutions at Marconi, the defence electronics subsidiary of the General Electric Company, because of the combined GEC-Siemens bld for Plessey.

In an early day motion at the House of Commons, the MPs noted that "no statement has been made on the inquiry into fraud and contract irregularities in the case of Marconi." They said they believed that at least one senior Marconi employee should be prosecuted, "perhaps four," and added that the inquiry "will have a major effect on Marconi's profitability over the coming years."

Mr Dale Campbell-Savours, MP for Workington and the principal signatory of the motion, said yesterday that it was the responsibility of the Director of Public Prosecutions to make a move.

The Marconi investigation started in late 1987 with a dramatic raid on the company's premises at Brown'a Lane, Portsmouth. The police used crowbars to enter the building and search for evidence after allegations that the company had defrauded the Ministry of Defence.

Last April, the Ministry of Defence police passed the case over to the newly formed Serious Fraud Office, which said yesterday that the investigation was still open.

The SFO contested Mr Campbell-Savours' view that it was up to the Director of Public Prosecutions to act in this case. An official said it was the responsibility of the SFO itself, which reports directly to the Attorney General.

Marconi said last night that it was continuing to co-operate with the SFO, supplying documents when requested.

There has been repeated speculation over the past few weeks about an impending court action on the Marconi issue.

The SFO, however, has given no indication of the state of the investigation, although some Marconi officials believe that the scope of the inquiry has been narrowed down from the initial claims of multi-million-pound fraud.

The original allegations were put together by a former employee of the company and are believed to relate to royalties that should have been handed over to the Ministry of Defence on export orders.

ICI to lift drug research budget

By Peter Marsh

THE pharmaceutical division of Imperial Chemical Industries, Britain's biggest chemicals company, plans to spend £3bn on research and development over the next decade in a move that will significantly increase the unit's efforts in discovering new drugs.

As part of the strategy, the pharmaceutical unit aims to increase its research staff substantially, Mr David Friend, the division's chief executive, said. However, he did not wish to quantify how quickly the staff oumbers would rise.

At present, the ICI drugs division spends £170m a year on research and development. It employs 3,300 research workers, of whom 2,200 are in the main laboratories at Alderley Edge, near Macclesfield. The remainder are mainly in Wilmington in the US and in Rheims in France.

Mr Friend said the proposed expansion in research would benefit all three centres, although Alderley Edge would receive most of the proposed extra resources. The division's annual research and development outlay would gradually increase during the 1990s and up to 1999 would total £3bn. He said he did not want to give details of specific annual increases proposed.

The planned increase in research spending comes after five years of steady growth in the R&D outlays of ICI's drugs unit, which is Britain's second-biggest pharmaceutical group after Glaxo accounting for annual sales of £1.2bn. The division's R&D budget in 1984 was only about £90m.

Mr Friend said much of the extra cash his division spent on research would be directed towards therapies aimed at heart disease – an area in which ICI is a world leader.

Other areas of drug development in which ICI is interested involve cancer, infections diseases and disorders of both the lung and brain.

ICI's pharmaceutical subsidiary is responsible for about a third of the company's total R&D spending and about a tenth of its total sales. The division is the world's 20th-biggest pharmaceutical manufacturer.

MEPC sells top Sydney property

By Paul Cheeseright, Property Correspondent

MEPC, Britain's second-largest property group, has sold the Exchange Centre, home of the Stock Exchange in Sydney, for A$370m (£175m), the largest property transaction involving a completed building ever seen in Australia.

The buyer ia Armstrong Jones, a property trust and fund management group that has been active in the Sydney property market over the last year.

The Exchange Centre is in the heart of Sydney's central business district and contains 415,000 sq ft of offices.

The complex, built in 1979, is the biggest single investment MEPC controls in Australia.

MEPC is selling the building precisely because it accounts for such a large portion of its Australian portfolio and, in the view of the gronp's Australian executives, has inhibited MEPC from undertaking more development, especially in central Sydney.

According to MEPC's last accounts, dated September 1988, Exchange Centre was worth £142.8m, and accounted for more than 40 per cent of the total value of the gronp's Australian property portfolio, then worth £342.8m.

MEPC has total property assets of £3.1bn, nearly half of which are in central London. Its Australian assets, before the sale of Exchange Centre, accounted for 11.1 per cent of the portfolio.

Regalian sells unbuilt office block for £130m

By Paul Cheeseright

REGALIAN Properties has sold, even before the start of construction, an office building on the south side of the Thames in central London, for £130m.

According to Savills, Regalian's property adviser, this is the biggest pre-sale of an office building in the UK.

There has been speculation in the property industry that the buyer is Property Services Agency, which has been searching for space near Westminster for the Government. However, the agency said "it is nothing to do with us".

The building, which is a 450,000 sq ft office development, will be called Vauxhall Cross. It will be next to Vauxhall Bridge, within easy reach of both the Houses of Parliament and the West End.

Construction is expected to start this year and take three years to complete. Payment will be spread over four years.

The sale underpins the growth of Regalian's profits in the same way as its sale to Pearson of a new headquarters for the Financial Times. In that case, on a sale made in 1987 for £74.4m, the payments were spread over three years.

- Camden Council has given Stanhope Properties detailed planning consent for a new broadcasting centre for ITN on the site of the old Sunday Times building in Gray's Inn Road in central London.

CAA improves air traffic control

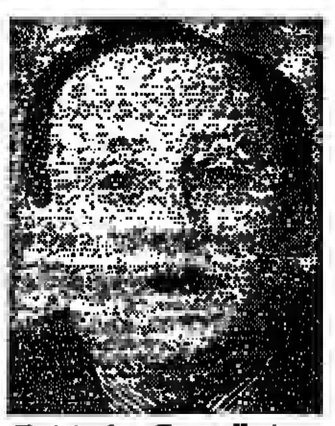
By Michael Donne, Aerospace Correspondent

BIG improvements to air traffic cootrol are being made by the Civil Aviation Authority after a close airmiss in February last year between a British Airways TriStar and a Bulgarian Tupolev 154 near Lydd, Kent.

The improvements include introduction of an air traffic control simulator at the West Drayton, Loodon, control centre from May, and another at the Scottish centre at Prestwick, to improve training of air traffic control officers.

Automatic "conflict alert warning systems" are being provided at air traffic cootrol centres to give prior indications of danger, and aircraft are being given advanced warning of proposed runway closures.

There are improvemeots to officers' displays to give more informatioo about aircraft positions, and the introduction of radio and radar and radio-telephony playback facilities to give instant replays of airmisses to determine probable causes.



Christopher Tugendhat: asked for investigation

The recommendations were made by tbe Department of Transport's Air Accidents Investigation Branch, which studied the Lydd miss.

The brancb does not oormally probe airmisses, which are the responsibility of the aviatioo industry-wide Joint Airmiss Working Group.

But in view of the seriousness of the TriStar-Tnpolev incident, Mr Christopher Tugendhat, chairman of the Civil Aviation Authority, asked for such an investigation.

The branch's report, pnblished by the CAA yesterday, shows that the Lydd airmiss was caused primarily hy a lack of co-ordination between two experienced air traffic controllers.

Tbey were controlling the aircraft in the same airspace sector, hut on two different radio frequencies.

The report contains 13 safety recommendations. The CAA has already implemented, or is implementing, eigbt and is looking at ways of meeting three others.

On the remaining two – one of which would have involved changing aircraft holding patterns in the Dover-Lydd sector – the CAA has decided after studies that there is no benefit in change.

- The Air Accidents Investigation Branch has sent to all involved parties a "statement of facts" about the British Midland Airways 737-400 crash on the M1 oear Kegworth on January 8, which killed 46 people oo board.

The statement draws no conclusions about the cause of the crash and makes no recommendations. It reiterates all facts established to date, including the shutting down of the undamaged starboard engine when the port engine had been damaged by fire.

Such a statement, which is likely to be published during March, is customary practice in serious accidents.

It is intended to keep all interested parties abreast of the progress of the investigation and to enable them to consider their legal positions.

Minister seeks new bids for Clyde shipyard

By Charles Hodgson

THE GOVERNMENT has asked British Shipbuilders to invite new bids for the state-run Ferguson yard at Port Glasgow on the Clyde, after unsuccessful negotiations with Ailsa Perth.

Mr Tony Newton, Trade and Industry minister, announced yesterday that detailed talks witb Ailsa Perth, the Lower Clyde shipbuildsr named as preferred bidder in November, "have not resulted in agreement on a satisfactory basis for the sale to proceed."

New bids have to be in place by the end of next month and Ailsa has been invited to re-submit. In a progress report on privatisation of the remaining British Shipbuilders facilities, Mr Newton said negotiations on the sale of Marine Design Consultants, based at Sunderland and Dundee, were continuing with the management buy-ont team and that the deadline for bids for Sunderland Forge Services had expired yesterday.

Two earlier sales at Greenock oo the Firth of Clyde and Appledore in Devon were completed by last month.

Minister welcomes bill to curb illegal waste dumps

By Tom Lynch

A BACKBENCH bill to curb illegal waste dumping took its first step towards the statute book after the Commons heard that organised crime had becoms involved in "fly-tipping."

The Control of Pollntion (Amendment) Bill sponsored by Mrs Joan Ruddock, Labour MP for Deptford, was given a second reading without a division after being welcomed by Mrs Virginia Bottomley, the junior environment minister.

The bill sets np a registration system for commercial waste carriers, a measure Mrs Bottomley described as a forerunner of the Government's own reform of waste disposal legislation, promised in the course of this parliament.

The minister was less enthusiastic abont the bill's proposals to enforce penalties by impounding vehicles as a last resort. Some MPs on both sides suggested that Mrs Ruddock was being too restrained and that confiscation was an appropriate penalty, bnt Mrs Bottomley indicated a preference for placing a "duty of care" on the waste producer to ensure its eventual legal disposal.

She described fly-tipping as "a complex, sophisticated criminal matter in which a large amount of money changes hands," and Sir Hugh Rossi, the Conservative chairman of the Commons environment committee, said 1m tons of illegal waste were dumped in one London borough in a year.

Mrs Ruddock said fly-tipping was often accompanied by threats and intimidation to residents. Mr Ken Livingstone, Labour MP for Brent East, described how motorcycle scouts spied out sites for convoys of illegal tippera, which communicated by two-way radio and were protected by "gangs with iron bars."

- A bill to allow random breath tests on drivers was not pressed by its sponsor, Mr John Home-Robertson, Labour MP for East Lothian. He agreed to bring it back to the House in May, after the completion of Home Office consultations on reform of the drink-driving laws.

UK NEWS

Gateway to ban aerosols that contain CFCs

By Christopher Parkes, Consumer Industries Editor

GATEWAY, the 820-store supermarket chain, is to ban the sale of aerosols containing chlorofluorocarbon (CFC) propellants from July.

The move, announced yesterday, follows the removal of CFCs from all Gateway's own-label goods. Its household products, such as spray oven cleaners, have been CFC-free since 1987, and the company has now removed CFCs from its toiletries, including hairsprays and anti-perspirants.

CFCa are believed to be partly responsible for damaging the atmosphere's ozone layer, a topic to be discussed at a conference in London next month.

Sainsbury's, which stopped selling own-label products containing CFCs in October, said most British manufacturers were switching to alternative propellants. However, it would still stock international brands containing CFCs in order to offer customers the widest possible choice.

At Safeway, which converted its own-label lines 12 months ago, nfficials said leading hranded manufacturers had in any case undertaken to rid their products of CFCs by the end of 1989.

House of Fraser, the department store chain, announced a phased ban at Christmas.

Beecham group, ona of Britain's largest aerosol producers, said this week that all its products were now CFC-free. Elida Gibbs, the Unilever subsidiary, finished converting its production facilities two weeks ago, and only smaller UK suppliers have yet to make the switch.

Aerosol makers are moving rapidly after a rise in public concern. The British Association of Aerosol Manufacturers, which represents 85 per cent of the industry, said 90 per cent of spray cans sold in the UK would be CFC-free by the end of the year.

The remaining 10 per cent, mainly used in medical or industrial applications, presented epecial difficulties, bnt substitnte propellants were being investigated.

The association also agreed this week that all canisters would be marked to indicate whether CFCs were present.

Other CFC users are also tackling the issue. Many European refrigerator makers have reduced the CFC content of the insulating foam and coolants they use.

No substitute has been found that would allow CFCs to be omitted entirely.

AEG of West Germany claims a 15 per cent cut, and has developed a device for service engineers that will prevent CFCs leaking into the atmosphere during servicing of cooling systems.

Bellway Homes, the UK house builder, has also banned the use of materials containing CFCa. It said it had found many areas where substitutes were available at little or no additional cost.

Examples include mineral wool instead of polyurethane foam for cavity insulation, and fibre-filled insulation for hot water cisterns.

Friends of the Earth, the environmentalist gronp, estimates that the UK construction industry uses as much as 3,000 tonnes of CFCs a year.

● Detergent manufacturers have set up a committee to monitor concern over pollution of waterways by phosphates contained in washing powders and liquids. It has led to hans on their use in some countries. Henkel of West Germany recently introduced a phosphate-free powder in the UK.

Council pension funds choose venture capital

By Charles Batchelor

COUNCIL pension funds have become enthusiastic investors in venture capital, according to a survey published by the Pensions and Investment Resource Centre.

The funds, particularly those in London, the Midlands and northern England, see venture capital as a means of creating jobs locally as well as offering potentially higher returns than those available from quoted company investments.

Pension funds have been attracted back to venture capital because venture fund managers have adopted more cautinus policies towards the companies they back, the survey says.

Venture capital managers now concentrate on more stahle companies and avoid start-up companies and high-technology businesses.

Council pension funds have invested £179.1m in venture capital while a further £475.7m has been allocated for investment in it.

Questionnaires were sent to all 96 local anthorities with anperannuation funds in Britain, of which 82 per cent, representing pension funds worth £20.4bn, replied. Of those respondents, 75 per cent said they held venture capital investments.

Pension funds in London, the north and the Midlands were far more likely to invest than those in the south-west and tha south-east, although overall venture capital figures show that most investments are made in the south-east.

All council pension funds in tha Midlands and the north-west had invested in venture capital, compared with only one in five funds in the south-east.

The survey reports £75.3m invested and a further £20m earmarked for investment by councils in the west Midlands, and £35m invested and £89.5m earmarked in the north-west.

Councillors and council officials often play a key role in initiating and monitoring investments, the survey shows.

Many of the investments have been made too recently to judge their financial success, but 55 per cent of respondents said they expected their venture capital portfolios to grow.

Local Authority Superannuation Fund Venture Capital Investment. PIRC, 40 Bowling Green Lane, London EC1R 0NE.

Nuclear quality systems are sound, CEGB says

By David Green

THE Cantral Electricity Generating Board yesterday challenged an independent consulting angineer's claim that its quality assurance system is inadequate and might lead to difficulties with its latest nuclear power stations.

Mr John Large, a chartered engineer and chief executive of Large & Associates, was testifying for a consortium of 23 local authnrities opposed to Hinkley Point C.

He told the Hinkley Point C inquiry that faults and operational snags with the CEGB's advanced gas-cooled reactor series showed that the quality assurance system was flawed. The hoard and the Nuclear Installations Inspectorate were weak and fallible on an issue of prime importance.

The inspectorate had failed properly to monitor quality assurance to ensure that nuclear safety was maintained during the building, commissioning and operation of existing UK nnclear plants. The CEGB should be more dominant in overseeing contractors' quality control work.

It was unnecessary and unreasonable of the board to refuse to disclose sections of its quality assurance strategy on the ground of commercial confidentiality.

Lord Silsoe, QC, for the CEGB, said the board'a high standards of quality assurance were rigorously enforced. The system was monitored hy the inspectorate and the Institution of Mechanical Engineers, he said.

Labour revises training policy

By Charles Leadbeater and Fiona Thompson

MR MICHAEL Meacher, Labour's employment spokesman, last night mapped out a radical revision to the party's policy on training.

The proposals reject state intervention in favour of a more flexible approach based nn regional training boards which would encourage companies and individual workers to invest more in developing skills.

The revised policies, which mark a radical shift from its thinking in the early 1980s, would give every employee the right to training. A significant rise in spending would be financed by a payroll levy on employers.

A National Training Fund would administer spending nnly for training not specifically tied to a single employer and where companies failed to develop adequate facilities. Companies unable to nrganise sufficient training would be given help hy consultants brought in by the regional boards.

Mr Meacher, in a speech on employment in the 1990s, said Labour would focus not upon the unemployed bnt the employed. The aim would be to ensure that companies and public sector organisations took responsibility for funding training relevant to their development and the long-term needs of their industries.

Speaking in Sale, Cheshire, he said: "Labour's answer to this even five years ago might have been massive state intervention to police if not control training within enterprises. The sheer impracticality of this leaves the politics of it not worth discussing."

The policy review report, which will be complete in two months, would propose that a Labour government should use sanctions only in exceptional circumstances. Such sanctions would take the fnrm of tax incentives rather than "heavy booted legal enforcement."

Employers and unions would be encouraged to set up joint committees to draw up enterprise training strategies. Mr Meacher said it was vital that demand for training, and monitoring of its quality was done within workplaces.

The committees, which either employers or unions could set up, would be able to draw upon grants from a National Training Fund, which would be financed by the payroll levy.

A National Training Organisation would set training standards, but the bulk of spending from the fund would be controlled by Regional Training Boards, which wnuld develop close links with local industry.

Employers wnuld he required to advertise all vacancies internally and externally, and to spell out the qualifications needed for the post.

Mr Meacher said the strategy, which has been agreed by the policy review groups covering trade and industry and economic policy, would be central to raising industry'a competitiveness.

The policy review groups set up almost 18 months ago will present their reports to this year'a Labour Party conference. They will form a base for the next election campaign.

Childcare cash 'would raise number of mothers in work'

By Ralph Atkins, Economics Staff

A CHILDCARE subsidy for working mothers would increase the likelihood of single parents taking jobs, according to a study presented yesterday.

Mr John Ermisch of the Centre for Ecnnomic Policy Research argued that a childcare subsidy paid to working mothers of 45p an hour would cover 25 per cent of the average cost of childminders, and would increase the probability of their working by about 5 to 6 percentage points.

His study, based on surveys of women largely dependent on benefits in the 1970s and 1980s, also showed that increases in child or one-parent benefit could raise the numbers of single mothers in employment. The effect of higher child benefit was greater for women with more children.

Participation in paid work could also be boosted by enforcing maintenance payments or offering a tax rebate or cash grant for childcare expenses.

However, the experience in the last two decades suggests increases in supplementary benefit may discourage single parents from taking jobs.

If supplementary benefit entitlements were increased by £13, or about 20 per cent, the proportion of lone mothers in work would fall from 40 per cent to about 35 per cent, he estimated.

Employment dynamics among British lone mothers. CEPR discussion paper 302; 6 Duke of York Street, London SW1Y 6LA; £2.

EMPLOYMENT

Homework deserves some serious study

Jimmy Burns reports on an answer to the skill shortages facing employers in the 90s

IN BIRMINGHAM, Mrs F, a mother of two, insists on anonymity. For most of tha year, she assembles, wraps, and boxes Christmas crackers on her bedroom floor for an amployer she rarely sees.

She gets paid £1.50p for a dozen, withont benefits, and works an average of eight hours per day. The only bonus sha's been paid is £5 for 10 days she spent teaching others to do the same job.

"All I think about is finishing as many crackers as I can as quickly as I can . . . then the money goes towards food and paying the bills," she says.

In Bristol, Fiona Flowers, a mother of two, is a technical anthor. She produces manual and customer documentation, for the teleworking unit of ICL, the computer company. She is contracted to homework 16 hours a week for the same hourly rate as her full-time equivalent on site, and enjoys similar benefits. As a teleworker, she earns a minimum of £100 per week.

"I've managed to combine having children with a career and because I have a flexible working arrangement, I'm more productive that I'd probahly be if I stayed in the office," says Ms Flowers.

According to Kamlesh Rai, a project worker with the Birmingham-hased National Homeworking Unit, traditions die hard among employers responsible for an estimated 70,000 to 100,000 women engaged in a wide range of low-paid home-based manufacturing jobs ranging from sowing pockets onto trouser legs to assembling dentures.

A recent survey by the unit nn the Midlands clothing industry found that about 60 per cent of women homeworkers, working up to 60 hours a week, were earning about £1 an hour.

Ms Rai says: "Some people now think in terms of computers and glamour, but that's not the reality for thousands of women. They do homeworking because they have no escape."

Certainly there has been a tendency hy some information technology companies and their publicity firms to present an excessively rosy picture of homeworking, which downplays the risk for the worker of isolation and exploitation.

Nevertheless, there is evidence that the nature of homework is being re-evaluated as part of a stream of initiatives being taken hy employers to attract and retain women.

ICL was one of the first companies to introduce homeworking, not as a way of cutting overheads, but to retain and recruit highly motivated and skilled women employees, who because of domestic circumstances are unahle to work full-time.

Women at work

Employing some 280 home-workers, ICL's teleworking unit is still a relatively small proportion of the company's overall organisation of 20,000 employees. However, according to Diana Hills, a home-based general manager with ICL, the unit has grown and become more effective and profitable since it was first set up as a pilot scheme with 10 women in 1969.

The unit now has a network based around a four-tier management structure divided into regions and areas. Home-workers keep in touch with each other through regular project meetings, and refresher training sessions. They are also expected to spend a significant proportion of their contracted hours meeting customers.

At ICL, a strict recruitment policy is aimed at ensuring tbat an applicant is able to combine domesticity with her work without allowing one to undermine tha other.

Applicants are told, for example, that children if at home should be kept in a private section of the house, away from the computer, and that planning to work only at night time when the children are in bed is unacceptahle.

Ms Flowers, like most other parents who work for ICL, employs a childminder and uses a day nursery, even though she still finds that she sees her children much more than she used when working full-time for the company.

Together with ICL, there are computer companies like the FI group, and Rank Xerox, that during the 1980s have been developing networks of teleworkers as an integral part of their organisation. Other companies like British Telecom now have managers operating from home with the help of a phone, facsimile machine, and computer. The general thrust is that teleworking should be home-based rather than home-bound.

Local authorities in areas where skills shortages are looming, like Winchester-based Hampshire County Council, share the view of some private companies like ICL that the future has already arrived. Recruitment and retention problems, and the devolution of local authority powers in teaching and social services have led the council to develop more flexible forms of work.

Mr John Edgall, head of the council's management consultancy group, says teleworking satisfiea a need for smaller work units in a scattered geographical area.

The council has 20 "pilot" teleworkers mainly producing reports and other clerical jobs. But it believes that over the next five years, over 1,000 of its 50,000 staff, inclnding typists and memhers nf their legal department, will be working from home.

Thus, while the image of a Brave New World in which everyone works at home, and collective organisation is left to leisure, may still be some way away, homeworking looks set to be high on the agenda of workplace organisation over tha next decade.

As the CBI director general Mr John Banham told a recent conference on the suhject: "Teleworking is not just an attractive idea whose time has come; it could represent a liferaft in a very rough sea – and one which no employer, big or small, can afford to ignore."

This is the final article in a series on women's employment.

Computer staff in short supply

By Fiona Thompson, Labour Staff

RECRUITING and retaining axperienced computer staff remains a problem for many organisations, according to a report by Income Data Services, the pay research group.

Shortages continue to be worst among development staff, such as systems analysts, and this is where there will be the greatest demand for staff in the 1990s, with the demand for operations staff continuing to decline.

The IDS study, Computer Staff Pay, looked at how 29 organisations have attempted to resolve recruitment and retention problems.

Although most employers have been keen to recruit experienced staff, there are signs that more organisations are stepping up their investment in training.

In an attempt to overcome the competition for new and experienced computer staff, employers have developed a wide range of pay and conditions policies.

The nse of performance reviews to determine individual salaries is growing in popularity. In some organisations salary is totally merit-based, and the merit element can be worth up to 21 per cent of salary.

A number nf amployers review the pay nf computer staff avery six months, to ensure that staff are paid the "market rate" for their skills.

Grading structures are being revised to make them more flexible to market pressures.

The average earnings of information technology staff rose by 13 per cent in the year to October 1988.

IDS Study 428. February 1989; 193 St John Street, London EC1V 4LS.

Talks fail to end exam boycott

By David Thomas, Education Corraspondant

THE EXAM boycott in the universities seems set to intensify following the failure yesterday of the employers and the Association of University Teachers to produce any fresh initiatives to resolve the crisis.

Mounting anxiety about the boycott was reflected in the decision of Cardiff University to hreak ranks with the employers' negotiators by offering a local settlement.

The Committee of Vice-Chancellors and Principals, arguing that it can afford only a 3 per cent rise for 1989-90, has appealed to the Government for more funds for pay. The 30,000-strong AUT launched its exam boycott in January.

Moves in the AUT executive to call off the dispute if the employers agreed to hinding arbitration came to nothing. In any case, the employers decided yesterday not to agree to arbitration or to return to the formal pay machinery while the Government's response to its appeal for funds was unclear.

The employers are pressing for a meeting with Mr Kenneth Baker, Education Secretary.

Both sides are increasingly anxious about the hoycott because most university exams are due to be set soon. The AUT execntive decided it would have to advise students by the end of this term whether or not to prepare over the Easter vacation for summer exams.

This anxiety was reflected in Cardiff's decision to offer its academics 5 per cent from March 1, a month before the 1989-90 settlement date. St Andrews was the first university last month to offer a local settlement.

Dr Aubrey Trotman-Dickenson, Cardiff's vice-chancellor, said last night the boycott would have disrupted exams for Cardiff's sandwich course students in the next few days; the university was worried about the boycott's impact on overseas students; and in his view the Government believed the universities as a whole could afford 5 per cent.

However, the vice-chancellors' committee yesterday appealed to other universities not to make local settlements.

Training scheme draws 151,000

By Fiona Thompson

A TOTAL of 151,000 people have now signed on to the Government's Employment Training Scheme for long-term unemployed adults, Mr Norman Fowler, Employment Secretary, said yesterday, speaking at a CBI conference in Birmingham.

This was a remarkahle achievement, he said. ET was now firmly established and had grown faster than any previous adult training programme.

However, when the programme was launched six months ago, the Government's monthly enrolment target was about 45,000 people.

These targets had been cut hy 10 per cent because not enough people had joined.

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The Tories stay safe

THE PIECES that make up Britain's political jigsaw are moving about, but the overall picture remains the same. Mrs Margaret Thatcher's Conservative Government is here for the duration. The Opposition, which might be effective if it could be unified, remains ineffective because it is divided. Yesterday's by-election results seem likely to add to its disarray, et least in the short run.

Both results were a disappointment for the Labour Party. In Pontypridd, which Labour held, the Conservative share of the vote fell – but so did the Labour share, albeit to a lesser extent. The major opposition party cannot afford to see its vote reduced, even by a Welsh Nationalist upsurge, if it is to have any hope of regaining credibility as a potential winner of the next general election. It is true that the gap between the parties, as recorded in the opinion polls, has narrowed in recent weeks. Yet that alone is not good enough. At this stage of a parliament, with the Government in some difficulty over inflation and assorted other issues, Labour should be ahead and running onwards.

The Richmond result showed how far the opposite is the case. The Tory majority dropped very sharply indeed, from 19,543 to 2,634, but the Government's concern at this important indication of its current unpopularity in that area will doubtless be tempered by the extraordinary spectacle of what happened among the also-rans. Labour lost its deposit. That would be bad enough for the opposition taken as a whole, but worse news, from the anti-Tory point of view, was that the two factions of the former Alliance prevented one another from taking the prize of victory that would have been theirs if they had stood as one party.

The Social and Liberal Democrats have based their entire etrategy on the proposition that the far smaller Social Democratic Party under Dr David Owen would vanish after a series of overwhelming defeats. This seemed to he working in local council by-elections, and indeed it had some small success at Pontypridd. All is now changed by the SDP's triumphant second place at Richmond. It is clear that Dr Owen will not yet have reason to leave the field to Labour and the Democrats.

The Democrats will have to rethink their strategy. Dr Owen seemed yesterday to be in no mood to accept the offer by Mr Paddy Ashdown, leader of the Democrats, of a fresh merger; he would, however, like an electoral pact. Neither choice would produce stability at the centre. In either case the battleground will still be occupied by both Labour and its opponents on the opposition side. Until one party shows that, with or without Dr Owen, it alone can be trusted as an alternative government, the Tories remain safe.

The Moslems in Britain

THE CENTRAL point in the speech by Mr Douglas Hurd, the Home Secretary, at the Birmingham Central Mosque yesterday was this: "The law in Britain is above us all. It applies to everyone, whether Christian or Moslem or Sikh or Jew. No one is entitled to pick and choose which laws he or she obeys."

The Moslem community in Britain seems to have become quieter and more restrained since the original reactions of some of its members to Mr Salman Rusbdie's book, The Satanic Verses, set off protests of one kind and anotber around the world. It would be mischievous to pretend that the Moslems in Bradford deliberately started a cbain of events that has led to death threats and demonstrations on such a scale. Yet the fact remains that the protest did begin in Britain. If it had not, The Satanic Verses might have received rather less attention. And if the initial protesters had used only a little forethought, they would have realised that what they were doing was profoundly against the traditions of the country in which they live. We do not burn books, even symbolically, and incitement to violence is a punishable offence.

As Mr Hurd said, several Moslem leaders in Britain have now made statements accepting that, if their followers wish to reside here, they must obey the law of the land. We hope that that is the end of the domestic implications of the Rushdie affair in terms of damaging relations between the communities. But it has been a lesson expensively learned, and the law against incitement remains – to be used if necessary.

Anatole Kaletsky on US airline deregulation and its lessons for Europe

Big birds back in American skies

"AIRLINE deregulation turned out to be America's most successful populist reform since World War Two," said Mr James Burnley, tbe former US Transportation Secretary. Despite their gripes about lost baggage, boorish service and missed connections, most of the harried passengers at America's overcrowded airports would probably have agreed. The shareholders and employees of US airlines, on the other hand, would certainly have begged to differ – at least until recently.

The estimated $10bn (£5.7bn) to $15bn e year that US airline passengers have saved since 1978 have come out of the hides of shareholders and workers. Not only did the airlines cut their workers' wages, but they also suffered enormous losses in the fare wars which brought such once-proud airlines as TWA, Pan American, Braniff, Continental and Eastern, to their knees.

In the last 18 months, however, US air transport has undergone another, quieter, upheaval – a revolntion where the financial impact has become evident in the last month, as one leading airline company after another has reported record profits, in several cases far exceeding their pre-deregulation levels.

In fact, the airlines' combined operating profits in 1988 were roughly 50 per cent above the previous year's level and such is the industry's confidence thet hardly a week goes by without the announcement of another multi-billion dollar order for new aircraft from Boeing, McDonnell Douglas or Airbus.

But there has been a darker side to this prosperity – 1988 was the first year since deregulation when average fares rose faster than inflation. Further big fare hikes, averaging around 20 per cent, announced by all the biggest airlines last November are sticking, confounding widespread predictions of e new discount war.

These pricing breakthroughs have been achieved against the background of the weakest growth in air travel since 1982. Overseas travel provided all of the growth in passenger miles last year. Altogether, it is becoming apparent that competition in the airline industry has declined significantly.

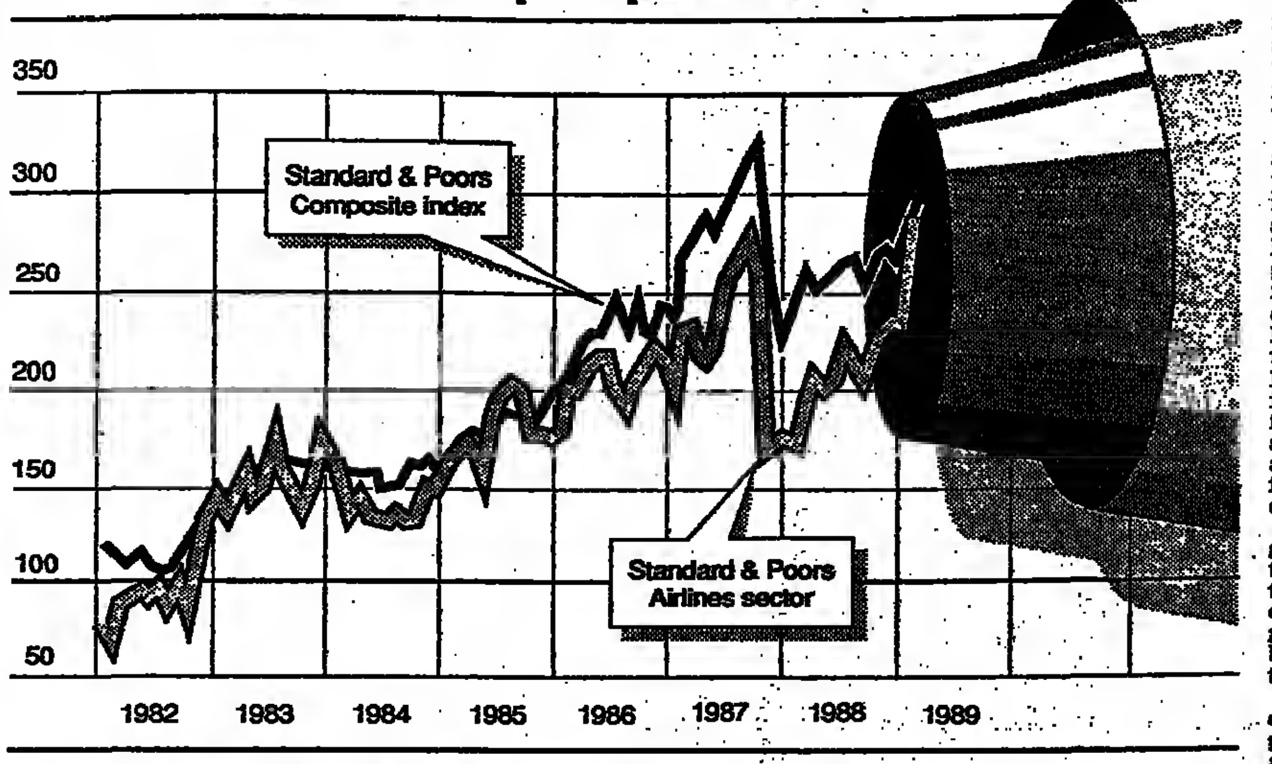
Perhaps the most important symptom of the less competitive conditions has been e decisive shift in airline labour costs. This has begun to jeopardise the corporate strategies of companies dependent on low wages, above all the Texas Air empire built up by Mr Frank Lorenzo, the man who dominated the buccaneering period of deregulation with his successive takeovers of Continental, Eastern and People Express.

The message that rising fares are gradually becoming imbedded in wage costs is certainly suggested by unpublisbed Labor Department figures, which show that airline wages reached their nadir as far back as 1985 and began to rise rapidly from mid-1986 onwards.

From 1985 to 1988, average hourly earnings in air transport rose by 19.6 per cent – more than double the 7.8 per cent wage inflation in the US economy as a wbole. This contrasted sharply with the period of intense competition from 1983 to 1985, when earnings fell by 1.4 per cent in air transport, against an economy-wide increase of 6.8 per cent.

But even if costs and fares continue rising, will this imply that deregulation was an experiment that failed? Despite tbeir gripes about the airlines, the US public and their politicians would reply with a resounding "no".

For one thing, fares are still lower in real terms than they were in 1978. Furthermore, insofar as costs are rising, this partly reflects healthy economic forces and the public's own desires. The airlines' profitability is only now returning to the level required to support the immense investments in aircraft which it needs. The pay and conditions of airline personnel probably needed improving, to jndge by travellers' demands for better service, to say nothing about their concerns about safety.



US Airlines sector share price performance

Another reason for deregulation's public popularity is less obvious. Even if average fares and costs eventually rose again to pre-deregulation levels, most Americans would continne to benefit from freely determined air fares.

For the economics of air travel ensure that free market pricing confers large subsidies on holiday-makers at the expense of business travellers or, more precisely, their employers. In this respect the airline business is the polar opposite of telecommunications, the other great industry deregulated in the 1980s.

While routes and timetables are designed around the needs of business travellers, airlines will compete ferociously in offering bargains to price-sensitive holiday-makers to fill the seats that remain empty after the business demand is satisfied.

Meanwhile, the businessmen are bought off in a free marketing system with bonus schemes for "frequent fliers." These offer free holidays for repeated patronage, not only encouraging "brand loyalty" but also promoting increased flying and making businessmen less sensitive to the fares their employers pay.

Not surprisingly, opinion polls have consistently shown support for keeping the airlines free, even while the public remains sceptical about the benefits of telephone deregulation.

Finally, there is a less cynical and more fundamental reason why deregulation is unlikely to be judged a failure. It does not take a PhD in economics to see that the main force driving fares and costs upwards since 1986 has not been deregulation but monopoly power. It was the wave of airline mergers in 1986, culminating in the rapid-fire acquisitions of People Express, Frontier and Eastern by Texas Air, that created the oligopoly of six nationwide carriers – United, American, Texas, Delta, NorthWest and USAir – which now rules the skies over America.

This oligopoly has reduced to two the number of competitors at many of the biggest hub airports around the US. And it is those local duopolies that have in turn enabled fare increases to stick over the past two years.

The obvious conclusion to draw from the American experience therefore is that deregulation should not mean complete *laisser faire*. Free pricing should not mean abandoning competition policy. On the contrary, governments that want market forces to work in air travel must redouble their vigilance against anti-competitive mergers.

Unfortunately, this may be easier said than done. Most of the takeovers of 1986 and 1987 involved companies which were either on the brink of financial failure or had very dim prospects as independent competitors. The wave of mergers was motivated not only by the laxity of anti-trust enforcement, but also by the perceived inability of small airlines to survive, or at least prosper, in the new competitive environment.

It turned out, in other words, that the giants had bigger in-built advantages than most proponents of deregulation had thought. As one former aviation official put it: "We envisioned a hundred airlines flying to every major hub – the market has show us that's not practical."

The in-built advantage of the big carriers must not be exaggerated. There are still profitable niches for "upstart" companies. And the latest fear among the Wall Street airline analysts – that financially powerful and well regarded European airlines will one day win the right to fly domestic routes as a *quid pro quo* for US airlines' rights in Europe – suggests that a second wave of competition in the US airline industry could yet be in store. Nevertheless, the US experience does suggest several reasons why airlines have a natural tendency towards oligopoly in an unregulated market:

● Carrying an extra passenger on an established route costs virtually nothing. This means that an airline with a strong hold on the price-insensitive business market will offer super-competitive fares, well below average costs, to marginal passengers. This will deter rivals from competing on its routes – or bankrupt them if they do try to compete but fail to win a large part of the business market. That was what happened to People Express and nearly happened to Texas Air when they tried to break into markets dominated by the high-cost, "high quality" business carriers such as American and United.

● The airlines' ability to differentiate between business and leisure customers has been immensely expanded by the use of computerised reservation systems (CRSs). These systems have become extremely powerful competitive weapons not just because they could sometimes be used to exclude from travel agents' computer screens the flights offered by rivals – a practice now banned in the US. More importantly, the CRSs enable airlines to make minute-by-minute decisions, based on sophisticated statistical analyses, about the likelihood of seats remaining empty. This allows them to vary the availability of discount fares and thereby snare the maximum number of full-price customers while minimising the seats left empty. The CRSs also provide instant information on competitors' prices and sales volumes, making both predatory and collusive pricing that much easier.

● Frequent-flight bonus programmes create significant barriers to entry for new or small airlines. The business traveller tends to remain loyal to his chosen bonus carrier, usually the one with the most extensive route network out of his city. Because business travellers, practically those who do not mind paying premium prices, play such a vital role in airline economics, the bonus schemes are surprisingly important to airline competition in the US.

● The biggest competitive obstacle of all, however, lies in the shortage of physical infrastructure required to make flying possible. The hub and spoke route system which all airlines have adopted since deregulation has greatly increased congestion and raised the value of gates at overcrowded airports and historically allocated landing and take-off slots. At many of the main transport hubs, including New York, Chicago, Atlanta, Washington and Denver, there is no way for new competitors to move in on a significant scale without somehow acquiring gates and landing slots from the very airlines they plan to challenge.

For policymakers considering deregulation in Europe, the US experience therefore raises some difficult questions. Could any of these obstacles to competition be removed by conscious government action? And should this be done as part of an airline deregulation policy package?

While the use of CRSs and frequent-flier programmes might call for greater surveillance by competition agencies, it would be difficult to deny the airlines these powerful marketing tools.

The pricing flexibility created by the CRSs in particular confers considerable benefits on consumers and helps to ensure the maximal use of the economic resources society allocates to air travel.

This becomes obvious by comparing the US system of differentiating seat prices through marketing techniques with the European method, which separates leisure from business travellers by putting them on different planes.

The US system is far snperior because it takes advantage of the natural symbiosis between the two types of travellers. By carrying holiday-makers and businessmen together, the US airlines can offer more frequent and convenient scheduled flights to more destinations than their counterparts in Europe.

Airport congestion, however, is a very different matter. The allocation of gates and landing rights is a legitimate public concern, which could be dealt with by holding regular auctions of these natural monopoly assets.

Such auctions would be the biggest step that any government could take to preserve competition in a deregulated air transport system. For Europe particularly, an auction system that put a price on airport rights would be far preferable to the alternative solution advocated by the airline lobby – covering the landscape with more and bigger airports.

Of course auctioning airport rights would raise the costs of air travel and, in particular, of the hub and spoke route systems which have exacerbated airport congestion. But that is no objection. Making passengers pay the full social costs of flying would simply be another step towards creating e genuinely efficient free market in air travel.

MAN IN THE NEWS

Vaclav Havel

Imprisoned Czech with a liberated spirit

By James Blitz

When Vaclav Havel was arrested lest month in the middle of a demonstration in Prague's Wenceslaus Square, he was equipped with his "emergency kit". He always carries a tube of toothpaste, razor blades and extra cigarettes, in case he suddenly finds himself in prison.

Only a dissident who lives in an East European state which loathes perestroika needs to be that well prepared. The Gorbachev era may have brought the rehabilitation of Andrei Sakharov in Moscow and of Lech Walesa in Warsaw, but the Czechoslovak Government has gone in the opposite direction.

Last week, it sentenced Havel, tbe country's most famous playwright, to nine months in jail for organising a banned demonstratiou which commemorated the anniversary of Jan Palach's suicide by fire, in protest at the Soviet invasion of 1968. Two other dissidents were jailed, and five received suspended sentences on similar charges.

Havel is beginning his fourth prison sentence, although, at 52, he looks an unlikely martyr. He is short, slight and softly spoken, and, when not in prison, divides his time between an attractive flat in Prague and e house in Northern Bohemia. A colleague in Charter 77 reports that, while in prison between 1979 and 1982, his courteous manners persuaded the prison warders that he could easily be broken. They had the wrong impression. In the face of crude and threetening behaviour, the writer demonstrated a quiet refusal to back down.

His imprisonment is a warning from tbe Czechoslovak Government to the 10,000 protesters in the capital wbo now treat major anniversaries as an opportunity to demonstrate. The message is that the regime will not give an incb to the march of reform whicb is under way elsewhere in Eastern Europe. The current Party leaders know that they cannot introduce reform and keep face, becense they were brought to power by the Soviet invasion which crushed Alexander Dubcek's earlier version of perestroika. This Politburo belongs to 1969, not 1968.

Havel learned early to know the state as a political brute. His upbringing in a wealthy middle-class family was held against him in the early 1950s, at the height of Stalinism, and he received the punishment that creetes so many East European rebels: he was forbidden to enter higher education.

He worked in a chemical laboratory, reading voraciously by night – principally the work of Jan Patocka, a Czech moral philosopher who was later to become the inspiration behind Charter 77. Patocka says that we should see things, relations and events as they present themselves to us, and not in the way they are presented by an ideology or scientific theory. That is about as far as a philosophy can get from Marxism, and Havel devoured it.

One of his fellow-activists identifies another essential strand to Havel, the belief in "living honestly". Havel writes as though censorship did not exist and behaves as though there were no state coercion. As Jiri Nemec, another long-time friend, pnts it: "If he didn't want to write about something, he didn't write about it. And if he did, then he only wrote about it in a way that was true."

It was difficult, though not impossible, to adhere to such a principle in Czechoslovakia in the years before 1968, wben Havel wrote his first plays. But the political crackdown that followed the Soviet tanks has remained rigid. Tbe Party's authoritarianism has been met by a quiet stoicism in Prague's people, which can be felt by any visitor to the capital today.

Havel, however, has kept to the principle of saying what he thinks. His open letter to the former Party leader, Gustav Husak, delivered in 1975, was a direct attack on the system. "The idyllic image is artificial. It is not based on any real beliefs in the regime's goals, any trust in your government nor even on any vague agreement with your overall policies. Corruption is widespread. There is hardly anyone who does not take bribes – from the ministers down to the plumbers."

The letter is written in uncomplicated and direct prose. In his plays, Havel loves to mock the unnecessarily complex language of Communist officials, which hides true motives. In his best-known work, The Memorandum, the bureaucrats invent a new official language, *Ptidepe*, which banishes our unscientific way of speaking. A word's length depends on the frequency of use. "Wombat", for example, has 319 letters.

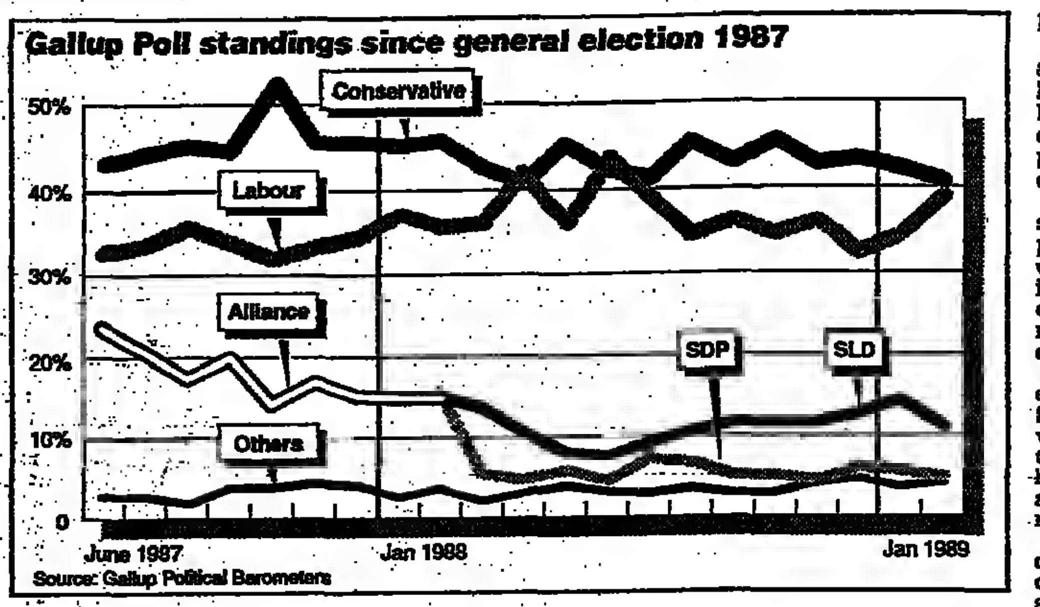
Havel's participation in the human rights groups Charter 77 and VONS (The Committee for the Defence of the Unjustly Persecuted, founded in 1979), opened a new and unpleasant chapter in his life. He has spent four of the last 11 years in prison and has been under constant police surveillance. It could all have been avoided if he had accepted an offer from the authorities to emigrate to the US in 1979. He turned it down and started a three year jail sentence.

The dilemma facing a dissenter who is offered freedom in exchange for silence is the theme of his play, *Largo Desolato*. The state police tries to force a professor to sign a paper renouncing his work, while his friends force him to take a stand. After much dithering, the professor tells the police that he will not sign, only to find that the state refuses to lock him up: the dithering has been recorded as a vote in favour of the regime.

The inspiration for the play, according to a former colleague Karel Kyncl, was an event which profoundly distressed Havel. During a short stay in Prague's Ruzyne prison in 1977, Havel wrote a cleverly-worded letter asking to be released. To his surprise, the letter secured his freedom, but was published by the press in the form of a renunciation of his activity against the regime. For a long time, Havel was tormented by guilt for having lowered his guard.

This weekend, back in the same prison, he will not ask to be let out early. In the past, he has been on a programme of hard labour, making heavy steel mesh and stripping the insulation off wires. He may be behind bars, but some say that his is the most liberated spirit in Czechoslovakia.

Philip Stephens on how recent events have changed prospects for the opposition



UK politics become interesting again

Politics have returned to Westminster. After an 18-month lull this week's by-elections have reinforced recent movement on the political landscape.

The immediate focus this weekend is on the narrowness of the Government's escape in the Richmond poll – and on the continuing role on the national stage secured by Dr David Owen's SDP with its strong challenge in the constituency. Yesterday, Dr Owen was elated, while there was little to disguise tha gloom among Mr Paddy Ashdown's Social and Liberal Democrats.

The message of Richmond, as with last December's Epping Forest poll, was that for the time being at least, the SLD has little prospect of the by-election breakthrough it desperately needs without an accommodation with Dr Owen. But Mr Ashdown's call yesterday for a new attempt at merger between the two parties came just a matter of minutes after Dr Owen had explicitly ruled out such a move.

It was equally clear that neither Mr Ashdown nor SLD activists in the country are willing to contemplate the looser electoral pacts sought hy the SDP.

As Mr David Steel, the former *Liberal* leader, *put it* earlier this week: "It is all a glorious mess" – with no immediate prospect that either side will make the compromises necessary to clear it np.

That raises the intriguing possibility of Dr Owen edging yet further in the direction of endorsement of Labour as a *potential partner for the SDP*.

The SDP leader yesterday repeated his view that a "constitutional coalition" including Labour offered the only opportunity of providing an alternative Government to that of Mrs Margaret Thatcher.

But if Friday was undoubtedly Dr Owen'a day, the prospect of a *continuing* war of attrition between the centre parties could well turn the Richmond result into a subplot. More interesting is whether the Government's misfortunes will allow Labour to re-establish itself at last as a serious opposition.

Despite a fall in its share of *tha vote in its successful* defence this week of Pontypridd and its poor fourth position at Richmond, Labour's national standing has revived.

That, and accumulating grumbles over Mrs Thatcher's policies, has put a small question mark – and as yet no more than that – over the apparent inevitability of one-party politics at Westminster.

The contest for the Vale of Glamorgan following the death this week of Sir Raymond Gower, the sitting Conservative MP, will provide a further, and more genuine, test of the public mood. Sir Raymond left a majority of just over 6,000 and the by-election will give Mr Neil Kinnock, the Labour *leader, the first real opportunity* since 1987 to inflict a defeat on the Government.

Though he can hardly claim a spectacular performance this week, Mr Kinnock appears to have recovered his nerve after last November'e defeat at the hands of the Scottish Nationalists in the Govan by-election.

In parallel, the Conservatives' narrow escape at Richmond will create the impression among the party'a own MPs that Mrs Thatcher is not paying enough attention to the mood of the country.

However, no one is yet talking of a watershed. Labour's recent gains are *fragile. They are is based on Mr* Kinnock's improved personal performances in the Commons and on a couple of opinion polls showing that the Conservative lead has been cut to 2 or 3 points from the 10 typical of the second half of 1988.

In any normal post-Second World War electoral cycle, however, the opposition might expect to be 5 or even 10 points *ahead at this stage rather than* congratulating itself on being just behind.

That said, Labour believes that the combination of economic uncertainty and the Government's determination to push through unpopular policies provides an opportunity for it to move to the offensive. *The strategy centres on* exploiting Mrs Thatcher's emharrassment over rising inflation and high interest rates and on emphasising what Labour'a private polls indicate is a discernible shift in the public mood.

The first element is based on the belief that for the first time *since 1987 the Conservatives'* cast-iron reputation for competence looks vulnerable. Voters have never backed Mra Thatcher becanse she is compassionate, the argument runs, but they have been convinced of her ability to govern the country effectively and efficiently.

The prospect of still-higher inflation and tha possibility that borrowing costs might rise yet again to defend sterling are seen as casting serious doubt over that competence. The Government's clumsy handling of recent scares over food poisoning can be exploited to reinforce the impression.

Alongside thie, Labour believes that her current pro*gramme leaves Mrs Thatcher* open to the charge that her much-vaunted determination is turning into dogmatism.

Its private polling shows distinct pnblic unease with the planned reform of the National Health Service and the privatisation of the water and electricity industries – factore which *clearly cost the Government* votes in Richmond.

More generally, the Government is seen as failing to respond to puhlic concerns over a whole range of issues – from education and training to health and transport – which Labour groups loosely under the heading "quality of life".

Such attacks can only be effective, however, if Labour'a alternative policies can he presented as both coherent and competent. Thus, the policy guidelines which emerge over the next few months from the party's two-year review will be designed to allow Labour to move further towards the centre ground being fought over by Dr Owen and Mr Ashdown.

The aim is to map out a series of policies which would contrast Mrs Thatcher's "dogmatism" with a set of priorities that run with the grain of recent shifts in public opinion. Above all, this means dumping much of Labour's own "ideological baggage".

Some of the shifts are already apparent. Pledges for large-scale re-nationalisation have been abandoned in favour of a policy of re-establishing public control over a handful of key utilities.

Mr John Smith, Labour'a shadow Chancellor, is set to propose a tax structure which will include a starting rate of income tax below the 20 per cent target set by the Government and with a top rate of only 50 per cent.

But it is much too early for euphoria. Many senior Labour figures at Westminster privately share Dr Owen's view that it will take more that a handful of attractively-packaged policy documents to restore Labour'e credibility.

In the crucial area of defence, it remains far from certain that Mr Kinnock will secure sufficient support for a realistic alternative to unilateralism. This week Mr Kinnock dismissed Dr Owen'e recent overtures as an irrelevance, but if the newly-confident SDP leader joins with Mrs Thatcher in dismissing what emerges as Labour's new defence policy the damage may be considerable.

Meanwhile, despite yesterday's jolt, Conservative party managers at Westminster are in *no mood to be panicked*. They attribute much of the current rumblings on their own backbenches – and in the country – to nervousness about the economy. If Mr Nigel Lawson, the Chancellor, prodnces a bndget package on March 14 that re-estahlishes confidence that the economy is *heading for a "soft landing"* then many of the grumbles about other issues may gradually fade away.

Ministers will be reminding nervous hackbenchers that they have at least two years to recoup any temporary setbacks during the first half of 1988.

The huge public sector surplus means that Mr Lawson has ample funds both for tax cuts and for increases in public spending in the immediate run-up to the next election. That will allow him to soften the impact on the voters' pockets of unpopular measures like the poll tax and water privatisation.

Against that background, the task faced by the Labour party is immense – and not one that many in the shadow cabinet will honestly claim is yet in sight. What can be said, however, is that for the next few months at least, politics will begin to look interesting again.

A President pushed on to the defensive

Peter Riddell and **Lionel Barber** assess the political consequences of the row over John Tower

Foreign trips usually provide ideal opportunities for distracting attention from domestic political worries. That was the plan for President George Bush's six-day Far East tour to Japan, China and South Korea. Yet it has gone wrong in the most publicly embarrassing manner.

Throughout his visit to Tokyo for the funeral of Emperor Hirohito, the President was dogged hy the prospect, and then the reality, of the rejection by the Senate Armed Services Committee of the nomination of Mr John Tower as US Defence Secretary. It amounted to a major setback for Mr Bush just five weeks into his presidency.

He has expressed full confidence in Mr Tower, who has stood unflinching in a hail of accusations of drinking and womanising – which he strongly denies – and criticism of his fitness for the post. *The President has promised to* take the fight to the floor of the Senate next week. Against a 55-45 Democratic majority, it is an uphill struggle, bnt it is a fight Mr Bush cannot duck without further damaging his political standing.

A defeat would have consequences far beyond the imme*diate question of whether Mr* Tower is fit to run the Pentagon; it would signal a divisiveness between the Democratic majority in the Senate and the new Administration which would shatter efforts to forge co-operation between the legislature and the executive.

The high stakes involved in the Tower nomination have been clear ever since Mr Bush, in a fateful decision last December which went against the counsel of several of his advisers, plunged ahead with his choice of Mr Tower as Defence Secretary.

The job was perhaps the most sensitive in the Administration. Puhlic confidence in military spending has been badly damaged by procurement scandals; the Pentagon's $300bn a year bndget faces drastic restructuring to resolve a huge mismatch between planned spending and available funds. Above all, as Senator Sam Nunn of Georgia, Armed Services Committee chairman, said, the US Defence Secretary stands at the top of the chain of command and "leadership must be set from the top down."

Few doubt that Mr Tower acquired military expertise during his many years on the Armed Services Committee and in 15 months as a strategic arms negotiator in Geneva between 1985-86. The doubts turn on the use to which he put it: in a little over two years, after he resigned his Geneva post, Mr Tower earned more than $750,000 in fees as a consultant to several US defence contractors, including Martin Marietta, LTV, and Rockwell. He also earned $165,000 as a consultant to Mr Robert Maxwell, the British publisher; and a further $200,000 as a consultant and board member of British Aerospace'e US subsidiary.

The Tower case is a fight Mr Bush cannot duck without further damaging his political standing

Mr Tower defended his lucrative fees by *declaring that* he left the Senate nearly penniless, partly as a result of a wrenching divorce. But those Democrats with longer memories could recall Mr Tower's less than spartan lifestyle and they had a different view.

They were aided by an unlikely alliance of conservatives, *many from the Moral* Majority, who were outspokenly critical of Mr Tower's private life. They did the spadework, unearthing allegations about Mr Tower which suhsequently had to be checked and rechecked by the FBI which finally produced a report of several volumes.

The White House tried to rebut the criticism, but ended up being accused of being less than forthright about the final FBI report's contents. Mr John Sununn, the former New Hampshire governor and Mr Bush's chief of staff, has come under fire for trying to steamroller the Senate. As this week's vote revealed, the pressure tactics failed to pay off and Democrats stayed loyal to Mr Nunn. All the signs are that this loyalty will remain firm next week when the full Senate vote is taken.

Whatever the outcome, the impact of the affair is likely to be lasting. The fierce arguments, and the division of the committee along party lines, have undermined the hope of creating a bipartisan spirit of co-operation.

Leaders of the Democratic Party, which increased its majorities in hoth houses of Congress last November, do not believe the President *has* an unqualified mandate. This has infuriated Republicans who have seen in the Tower affair a first crucial test of the balance of power between Congress and the Presideot, with the former trying to usurp the latter's role and to change constitutional practice.

More specifically, the *long* drawn-out row has affected the reappraisal of US foreign and defence policies. Mr Brent Scowcroft, the President's National Security Adviser, had to admit this week that the Administration's reviews of foreign policy were being held up by the delays in completing *the foreign and defence teams.*

The Administretion's desire not to rush into new positions on the Middle East or East-West relations, while generally sopported in Coogress, has produced the risk that the US will be on the defensive, without a clear policy. For instance, twice in the past few *days*, Mr *Eduard Shevard*nadze, the Soviet Foreign Minister, has appeared to take the initiative with Middle East peace proposals. In urging a gradualist approach to negotiations, Mr James Baker, the US Secretary of State, appears to be reacting to eveots, rather than setting the agenda.

Mr Bush's presidency has therefore had a shaky start. After his long apprenticeship in a series of senior appointed posts and as Vice President, be was supposed to offer greater competence and a surer touch with Congress than President Reagan. So far, be has achieved neither.

LETTERS

Cardboard culture

From Mr Patrick Uden.

Sir, "Out with the glass cages of stuffed birds, in with push-button displays on ecology," reports a gleeful Antony Thorncroft ("Culture clash in Kensington," February 23). But museums have more reasons to exist than to edncate the nation about current fashions in science or art.

What are our great grandchildren going to thank us for, when these cathedrals to Victorian culture have been reduced to the cardboard aesthetic of our faddish high streets? What will these children learn, when visiting a museum is no different from the slog-shopping which has made its trustees rich knights – and the nation's families grim consumers of well-packaged emptiness?

As little as 10 years ago, the Natural History Museum in London was a dignified homage to one of the world's greatest scientists, Darwin. Like a vast, roadside, terracotta cabinet of taxonomy it displayed the natural treasures (and misconceptions) of the Darwinian age: a window onto the mind of the 19th century scientist.

Now, because these places are seen simply as under-utilised floorspace hy our market-ohsessed mandarins, they could end up hardly more informative than an amusemant arcade – mere "designer" history.

South Kensington is not just a group of potential superstores. It is – or was – a museum of museums. By all means build new museums like Sir Terence Conran'e excellent Design Museum, but the nation must retain the unique history of thought that old museums give us, even if it means high charges.

Patrick Uden,
8 Kendal Steps,
St Georges Fields, W2

Consequently . . .

From Ms Rosalie Nicholson.

Sir, An interesting juxtaposition of letters appeared on the V&A museum and the Design Centre (February 16).

The V&A was a consequence of the Great Exhibition of 1851; the Design Centre was a sequel to the Festival of Britain of 1951. Both were intended to exhibit exemplary contemporary design, to stimulate better design in UK manufactured goods. Both now fail to do this.

The V&A is castigated for adopting a more populist and commercial approach. The Design Council chooses to use its Department of Trade and Industry grant to pursue educational objectives and evade trade: a museum without the "caff" or shop.

Might the solution be to exchange *the* managements?

Rosalie Nicholson,
Manor Farm, Thurning,
Dereham, Norfolk

Insurance in the 'free' market

From Mr Malcolm Murray.

Sir, Sir Gordon Borrie (Letters, February 18) argues that the abolition of the Maximum Commissions Agreement (MCA) is in the interests of the consumer. It is not.

Nor will it be. Sir Gordon goes on to offer a glimmer of hope, saying:

"In due course I am required by the Financial Services Act to assess the implications for competition of the final rules which emerge from the Securities and Investments Board's (SIB) consultation on its proposals."

The trouble is that Nero fiddles while Rome burns.

The abolition of the MCA and, simultaneously, the requirement that the independent financial adviser alone should disclose his/her commission, puts the independent at a considerable commercial disadvantage compared with the tied agent.

It is only since these changes were announced that we have seen insurance companies bidding up commission rates. Once they realised that a major source of their business was threatened, out came the *cheque books in an attempt to* attract, as tied agents, many of those who had previously traded as independent advisers.

Despite what Sir Gordon Borrie and the European Commission might believa, tha insurance industry has always been highly competitive, and it will continue to be. Whereas, in the past, competition benefited the consumer by forcing insurance companies to offer value for money in products if they wanted a share of the husiness placed by the independent adviser, the opposite will now be true. In future, competition among life companies will be for market share. This involves offering higher commissions to build up tied sales forces.

There is ample evidence in Europe and North America to show what happens when the sales of life assurance and pensions are dominated by insurance companies' own tied sales forces. Costs of the products rise, and quality deteriorates.

Proponents of "the free market" seek to argue otherwise. But the effect of imposing this dogma in the UK is already leading to a reduction in the availahility of independent financial advice.

The pincer movement that independent advisers face – commercial disadvantage on the one hand, and considerable enticements by insurance companies to "go tied" on the other – will mean that their members will fall further as tha year progresses.

Sir Gordon quotes Barry Riley as saying that it would be a pity if the independent were threatened. Yet it was Barry Riley who, when tha banks were twisting SIB's arm to water down the proposals on polarisation, supported them. (As 1 remember, Mr Riley said he could see nothing wrong in a bank offering its own in-house product as well as policies from the Scottish Widows – showing ignorance of how things work in practice.)

The original proposals, insofar as they related to life assurance, would have worked to the advantage of the consumer. Three changes have conspired to create the opposite effect:

● Blurring of the distinction between tied agent and independent adviser, which confuses the public and benefits the tied agent.

● Aholition of the MCA, which is responsible for a commissions war, the cost of which will be met hy the policyholder.

● Compulsory commissions disclosure, applying to independents only, creates an artificial distortion in favour of the tied sales force. This will militate against the independent to the consumers' detriment.

It is difficult to see how Sir Gordon can argue that the changes benefit the public. The only hope is that when he comes to review the situation "in due course" he will come to the opposite conclusion.

By then it may be too late, because the number of inde*pendents may have fallen to* the point where they no longer have the power to influence insurance companies to compete in those areas that will benefit the consumer.

Malcolm Murray,
Albert E. Sharp Financial Services,
Edmund House,
12 Newhall Street,
Birmingham.

'Property is a less than perfect market'

From Mr R.S. Broadhurst.

Sir, Mr Matthew Oakeshott questions the validity of the recent incidences of a premium being added to the valuation of a property portfolio greater than the sum of the individual parts (Letters, January 21).

He correctly reminds us that valuation is an art rather than a science, bnt as Mr Oakeshott knows from his own experience in the investment field, price and valuation are not necessarily the same, and the valuer's joh is to reflect the market place.

I hope he would agree that portfolios, more often than not, offer greater "opportunity" than the single property. The wide spread of holdings in a portfolio gives the owner greater flexibility to realise the additional value available from special purchasers or, in property jargon, to unlock "marriage value" (neither of which *would necessarily be included* in a valuation undertakan within the guidance notes of the Royal Institution of Chartered Surveyors).

It is accepted that, in most cases, immediate sales of property are necessary to unlock the premium value that may exist in the portfolio; in recent years this has been fairly common practice. For example: in the document dated January 12 1989, sent to shareholders, Mr John Parry, the managing director of Hammerson, referred to a sale the company had undertaken in the previous 12 months in Sydney, Australia, where a price 54 per cent above the valuation in December 1987 had been achieved. The property in question had a "special" value to *the purchaser* who was *the* owner of the adjacent building.

It is essential for the valuer to recognise that such opportunities exist. It is generally accepted that property is a less than perfect market compared to tradeable securities (hence recent efforts in the property field to bring about "unitisation"). In a strong market, good property commands a preminm; in a weak market, the opposite. There is considerable strength in the current UK property investment market, particularly from overseas huyers. The same may not be true this time next year.

Property markets, as with any other, are cyclical. Fund management of institutional property portfolios recognises the need to buy as well as sell at the right time within the cycle. In view of premiums available in strong markets, it may well follow that property investment companies will increase their level of trading, but as "entrepreneurs" in the development field, there will always need to be a balance hetween short-term investment performance versus medium-term development opportunity.

1 am sure that, where appropriate, valuers would be pleased to justify the premium they may attach to e portfolio. But where a "special purchaser" is concerned it is not in anyone's interest to give the game away in public. In weak investment markets for property – such as in the few years before 1987 – discounts may well ha necessary, brought about (more often than not) by lack of funds in the market place or inherent tax liabilities. But, at that point, assessment of a portfolio is likely to take account of cash flow of the portfolio against prevailing borrowing rates, rather than the ability to sell selected properties in the portfolio at a premium.

As a cynical non-surveyor, I suspect that there were some who were not slow to take advantage of opportunities that existed at that time.

R.S. Broadhurst,
Jones Lang Wootton,
Kent House, Telegraph Street,
Moorgate, EC2

Lack of Third World debt provisions and better earnings result in turnround

Lloyds Bank returns to the black with £952m

By David Lascelles, Banking Editor

LLOYDS BANK added to the sharply improved trend in UK bank results yesterday with pre-tax profits of £952m. This was a major turnround from the previous year's £248m loss caused by Third World debt problems.

Lloyds celebrated its re-entry into the black with a 27 per cent increase in the dividend to a total 16.8p for the year. Sir Jeremy Morse, the chairman, described 1988 as "a year of resumed growth in profits and capital strength," though be added a cautionary note about the outlook: "As we enter 1989 we are keeping our weather eye open for the possibility of more difficult economic conditions."

Mr Brian Pitman, the chief executive, said 1988 had also been s good year for Lloyds shareholders: the combination of a 32 per cent rise in the share price and the dividend gave total return for the year of 41 per cent.

The main factor behind the Lloyds' improved results was the absence of any exceptional provisions for doubtful Third World loans, which absorbed more than £1bn in 1987. All major business divisions also showed better earnings.

UK retail banking produced a profit of £672m, up 23 per cent, on asset growth of 19 per cent, including an increase of £1.1bn or 28 per cent in mortgage lending. Lloyds' operations in estate agency, asset-based finance, insurance and personal banking all did well.

Although competition intensified in the second part of last year, eating into Lloyds' returns, Sir Jeremy said that domestic business remained "pretty robust". Mr Pitman disclosed that about 7 per cent of Lloyds' personal customers have transferred to the new interest-paying Classic account, and 75,000 new accounts had been opened. He said that far from reducing profits, this development held the promise of profit growth if it attracted new deposits from elsewhere.

On the international side, profits were £76m, compared with a loss of £939m the year before. The resnlts were reduced by a £40m charge for restructuring the overseas operations, most of that covering severance pay. Lloyds managed to reduce its total exposura to countries with payments difficulties from £3.93bn to £3.79bn through a programme of asset swaps and sales. Provisions gave cover of 34 per cent, the same as last year.

Corporate banking and treasury operations increased profits by 13 per cent to £195m, with a shift towards more sophisticated, fee-earning business. Merchant banking earned £9m compared with a loss of £28m the year before caused by withdrawal from the securities markets.

Unlike NatWest and Midland earlier in the week, Lloyds did not capitalise its property revaluations with a bonns scrip issue. Sir Jeremy said his bank had studied this carefully hut had decided there was no benefit for shareholders since it would neither increase the ahare price nor enhance the dividend. At the end of 1988, Lloyds' risk asset ratio, the new internationally agreed measure of bank strength, was 10.1 per cent, of which 5.6 per cent was Tier 1, or core, capital. This puts Lloyds below Midland hut above NatWest.

Lloyds' ratio of costs to income rose from 63.9 per cent to 65.1 per cent. However Mr Pitman said this was entirely due to the one-off £40m charge made for intarnational restructuring. "I can tell you that we aim to do a lot better than 63.9 per cent," he said.

The results are the first since Lloyds sold five of its personal financial services husinesses to Abbey Life in return for a 57.6 per cent interest in the life assurance company, in a major diversification move. Sir Jeremy said that staff of tha two companies were beginning to work together. He believed that the possibilities for selling life insurance were substantial and highly cost effective. He also said the venture would give Lloyds an alternative way of expanding in the European market as the barriers come down for 1992.

Earlier this week NatWest announced profits of £1.4hn and Midland of £693m. Barclays Bank is due to report next Thursday.

See Lex

Sir Jeremy Morse: keeping a weather eye open for the possibility of more difficult economic conditions in 1989

PROFIT BREAKDOWN BY COMPANY

	1988 (£m)	1987 (£m)
Lloyds Bank	604	(400)
- Black Horse Life Assurance	36	4
- Lloyds Bank Insurance Services	30	48
- Lloyds Bowmaker Finance	85	72
- Black Horse Agencies	18	8
- Lloyds Bank Unit Tst Managers	1	4
	170	136
National Bank of New Zealand	41	65
Lloyds Leasing	23	30
Lloyds Bank Canada	(3)	(3)
Lloyds Merchant Bank	9	(28)
Other	41	(92)
	885	(292)
Associated companies	67	44
Total	952	(248)

PWS falls to £1.53m and tells of Ben-Zur's acquisition quest

By Nick Bunker

ACCORDING TO his former colleagues, Mr Ronnie Ben-Zur, the young Israeli businessman, had hatched andacious plans in 1988 prior to his abrupt resignation as chief executive of PWS Holdings, to take over US-based Frank B Hall, one of the world'a largest insurance brokers.

Mr Malcolm Pearson, chairman of PWS, said yesterday that Mr Ben-Zur also got as far as arranging £200m of finance for a hostile takeover bid, which was never launched, for PWS' fellow Lloyd's insurance broker Hogg Robinson & Gardner Mountain.

The plans illustrated the over-aggressive acquisition strategy which explained PWS' disastrous purchase 12 months ago of GNA, a San Francisco-based insurance services group, Mr Pearson said.

The revalations came as PWS reported a steep drop in pre-tax profits from £7.22m in 1986-7 to £1.53m after exceptionals in the year ending September 30 1988, slightly worse than most forecasts. After a provision of £750,000 to cover bad debts from before 1986, and a £5.52m write-off connected with GNA, PWS reported a loss attributable to shareholders of £4.68m. Earnings per share fell from 23.8p to 3.7p.

PWS' shares plunged 31p to 78p immediately after the results – largely because it had unexpectedly decided not to recommend a final dividend – before recovering slightly to close at 84p.

PWS said it has abandoned its efforts to pursue the vendors of GNA through the Californian courts to recover its losses.

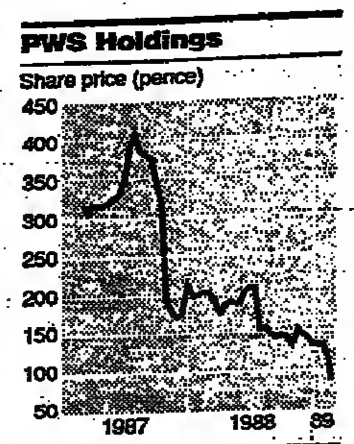
Instead, on January 26, it struck a deal with the vendors in which each side has waived any legal claims, in return for PWS putting 952,000 of its shares into escrow on behalf of the vendors to cover $1.6m still owed to them.

Tha deal was "very generous", Mr Pearson conceded, but he said PWS did not want to face two years of litigation in California, with legal fees of maybe $1m and an uncertin outcome. "If it had been an English jurisdiction, we would have fought it," said Mr Pearson, who is still contemplating seeking redress from Ernst & Whinney, the accounting firm which prodnced a report on GNA.

The disclosures about the Hall and HRGM plans came during three hours of briefings for stockbrokers' analysts and the press. PWS' board did their utmost to distance themselves from Mr Ben-Zur's record at the helm, and insisted that there had been a sea-change in strategy away from acquisitions in favour of concentrating on its core reinsurance business.

Mr David Springbett, PWS joint deputy chairman, said Mr Ben-Zur last year showed the PWS executive committee a plan code-named Acorn, to bid for Hall. At the time Hall, with 1987 gross revenues of about $386m (£220m), was more than 10 times larger than PWS.

Mr Springbett said Mr Ben-Zur told the committee that he had discussed the deal with Mr Saul Steinberg, Hall's chief executive. "Terms were basically pencilled in, but the ground-rules changed and Mr Ben-Zur withdrew," Mr Springbett said. Then, Mr Ben-Zur came up with the plan to bid for HRGM. "We blackballed it," said Mr Springbett.



● COMMENT

In the cold light of day, the issue of who did what to whom in the PWS dehacle matters less than the question of what it can do to recover. The GNA fiasco, and good-will write-offs from Mr Ben-Zur's other purchases, have shrunk shareholders' funds to less than £1m, with deht of 10 times that amount. PWS reckons it has provided fully against potential liabilities, whether from GNA or from bad dehts on old insurance hroking accounts; hut there is little room for manoeuvre if more skeletons lurk in the closet. That said, the welcome reality now is that PWS has largely shrunk back to the small, generally successful reinsurance-dominated hroker which it was before it merged with Mr Ben-Zur's Howard group in 1986. Provided no more skeletons emerge, it has a fighting chance of attracting a bidder some way down the line, since at some stage the Ben-Zur family will surely wish to sell the 40.5 per cent stake it controls. But for the moment the share price, on a prospective multiple of maybe 17 times earnings, assuming 1989 pre-tax profits of £2m, has no valid reason to go far.

Core operations help Abbey Life jump to £303m

By Nick Bunker

ABBEY LIFE, the financial services group, saw its pre-tax profits jump almost 30 per cent to £303.2m in 1988, on the back of strong performances in its core life assurance operations plus a switch in its accounting policy to the new "embedded value" method.

The figures also include results from the five Lloyds Bank retail financial services businesses which merged with Abbey late last year as part of a deal which gave Lloyds 57 per cent control of the enlarged entity.

Abbey exceeded hy £5m the detailed profit forecasts it made at the time of the merger. Last October, it said it expected pre-tax profits of £131.6m for the old Abbey unit-linked life assurance business, plus £166.1m from the five Lloyds Bank units, which include the bank's estate agency, life assurance and unit trust operations and Lloyds Bowmaker, its finance house arm.

However, yesterday's results graphically nnderlined the extent to which the reported profits of life assurance companies increase if they switch to the new emhedded value accounting method.

The new method redefines profits as the annual change in the company's net assets plus the change in the actuarial surplus in its life funds.

On the old method, which defines profits purely as the surplus which gradnally becomes available for actual distrihntion to policyholders and shareholders, the enlarged group would have reported after-tax profits of only £143.4m, compared with £203.5m on the embedded value method.

Mr Michael Hepher, chairman and managing director, said embedded value gave shareholders "a much better measure of the real earnings of our life businesses".

The only surprise in the figures was that the old Abbey Life unit-linked life business, with its 3,000-strong UK direct sales force, reported pre-tax profits of £125.3m, falling short of the £131.6m forecast at the time of the merger.

Abbey is sticking to its previously announced intention of paying a final dividend of 9.9p per share plus a special merger-related payment of 15p.

This makes a total of 28.5p (10.25p).

First Tech raises Ricardo offer

By Nikki Tait

THE HOTLY contested takeover battle over Ricardo, the Sussex-hased designer of engines and transmissions, moved np a gear yesterday when First Technology raised its offer to £22.7m and attached a cash alternative.

But Ricardo showed no signed of giving up its fight for independence. Its board said that it had "no hesitation in firmly rejecting this offer, which falls far short of reflecting the true value of Ricardo and its excellent prospects".

It added that it would definitely release a full-year profits forecast in dne course, and urged shareholders to take no action.

The terms of the revised First Technology offar are either 20 First Technology shares for every 57 Ricardo – compared with the previous one-for-three swap – or 145.26p per share in cash.

First Technology said that the revised offer was final, although it reserved the right to waive this if a rival bidder emerged.

To fund the cash alternative, Barclays de Zoete Wedd is nnderwriting First Technology shares at 414p, and US-based United Technologies has agreed to sub-underwrite the first First Technology shares to be issued to fund the cash alternative, up to a maximum of 638,075 shares. The US company said it was doing so with a view to maintaining its stake of around 14.7 per cent in First Technology.

Under the new terms, shareholders would also keep Ricardo's 1.35p a share interim dividend.

Yesterday, with First Technology shares np 5p to 445p, the paper alternative valned each Ricardo share at 156p and the entire company at £22.7m, compared with £21.8m under the previous offer. Yesterday, Ricardo shares jumped 7p to 147p – just ahead of the cash terms. In the market, trading volume was minimal.

Dr Fred Westlake, First Technology's chairman, said that the bidder, which has just passed the first closing date on its original offer, had taken the view that it "should close the thing quickly and saw no point in prolonging tha agony".

However, Dr Doug Taylor, Ricardo chairman, said that the offer was being rejected on value and that First Technology had failed to put forward any new arguments.

Last night, Ricardo also published a list of a dozen amendments to statements contained in its corporate brochure. This was orginally sent out without a directors' repsonsihility statement – in breach of the Takeover Code.

The directors said that, having reviewed the hrochure, they could attach such a statement subject to the amendments. Most of these involve putting firm assertions of fact into the form of directors beliefs.

MBS chief quits as loss recurs

By Vanessa Houlder

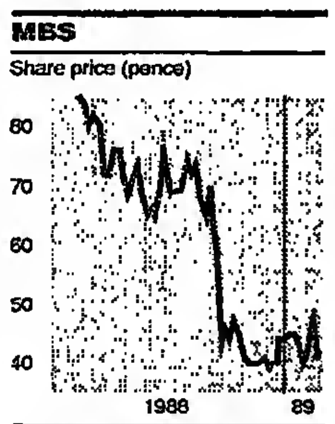
MBS, the troubled computer dealer, yesterday announced the resignation of Mr Stafford Taylor, its chief executive, along with a warning that it moved into loss in 1988.

The renewed plunge into losses marks the failure of a rescue attempt launched three years ago, when Mr Taylor, a former director of IBM UK, joined the company.

Compensation is now being negotiated for Mr Taylor who had a three year contract with a salary of £120,000.

Last year proved to be devastating for the company, although in March when it launched a £21.5m share placing, analysts expected profits of £11m for the year. Its fortunes, however, reversed dramatically when a price war broke out.

This resulted from IBM's decision to increase the number of its UK distributors from two to eight. Margins were drastically eroded and in July MBS closed its IBM PC distrihution business, which was the largest in the UK.



The effects of the price war continued to affect MBS's PC dealer business, although there was some recovery in November and December.

In September it announced a restructuring programme under which 85 people were made redundant, chiefly from middle management. The cutbacks followed an expansion of the company's infrastructure in anticipation of a substantial increase in sales.

The company said yesterday that its restructuring programme had made substantial progress and the resulting organisation was now "significantly leaner". The results for 1988 are expected to be announced at the end of March. The share price fell yesterday from 47p to 41p. Mr Derek Lewis, managing director product sales, is expected to adopt the role of chief executive eventually, althongh Mr Owen Williams, chairman, who also joined in 1985 from IBM, will take charge on an interim basis.

This is the second year in which MBS has swung into loss. In 1985 it mada £3.4m and its borrowings soared to £17m when a price war in the personal computer market coincided with an increase in overheads following an expansion of capacity.

Bromsgrove Inds makes £4.93m offer for Delmar

By John Thornhill

BROMSGROVE INDUSTRIES, the acquisitive engineering and financial services group, has made a recommended £4.93m cash offer for Delmar Group, the ruhber and plastics manufacturer.

Terms are 70p per share, with a convertible loan note alternative. Bromsgrove already owns 14.9 per cent and has received irrevocable undertakings for another 55.4 per cent, including 30.27 per cent held by directors. At March 31 1988, Delmar's net assets were £3.02m.

Mr Bijan Sedghi, chairman of Bromsgrove, yesterday said his company planned to introduce stronger financial controls, improved marksting and economies in hulk buying.

"Delmar operates in a business area we know well and there will be a lot of cross-fertilisation between our two companies," he said.

Mr Vincent Chapman, founder and chairman of Delmar, said:"I am impressed with the Bromsgrove management and I think we should go along together quite well."

Last November, the USM-quoted Delmar reported a sharp fall in pre-tax profits from £160,000 to £26,000 for the six months to September 30 1988. Turnover was £2.65m (£2.72m).

The directors said then that there were two main reasons for the decline: the costs related to the purchasa of Birch, a spectacle frame mannfacturer which it acquired from Pilkington, and a mild winter which led to overstocking of its lagging products.

Newmarket Venture nav falls to 94p

NEWMARKET VENTURE Capital reported that net assets were £33.4m or 94p per share at December 31. At September 28 they stood at £37.1m or £1.04 per share. The reduction was largely attributed to the fall in the US dollar and provisions against two unquoted holdings.

Newmarket makes venture capital investments in the UK and US and underwent a reorganisation in September 1988.

The company said that the profit and loss account reflected deposit and investment income and the running costs of the company, and, as such, was not a guide to its progress. Due to the reorganisation, the company stressed that the figures for 1988 were not comparable with Newmarket Co's 1987 results.

Pre-tax losses for 1988 were £508,000 (£1.01m). Total income was £491,000 (£686,000), with interest on deposits of£13,000 (£195,000). Administrative expenses were £999,000 (£1.7m).

Rank in US caravan site expansion

By Clare Pearson

RANK ORGANISATION, the leisure and entertainment group, is planning a substantial expansion of the caravan site operations in the US it acquired with Ahnert Enterprises a year ago.

Rank announced yesterday it had exchanged letters of intent with San Jacinto, the savings and loans subsidiary of Southmark Corporation, a deht-laden US real estate and financial services company, to buy its private caravan resort interests.

It is negotiating to buy 100 per cent of the husiness, and certain of the assets, of National American Corporation, and 69 per cent of the equity of Thousand Trails.

No further details of the transaction were available. Mr Michael Gifford, chief executive, said it was too early to estimate how much the deal might cost.

The two companies, which operate in about 15 states, have a combined membership three or four times that of Ahnert, for which Rank paid £102m last March. In the six months to end-December last year, Thousand Trails made $3.6m from operations, against a loss of $8.9m.

Rank signalled its intention to expand its US leisure-related activities last month as it announced pre-tax profits 22 per cent higher at £255.1m on turnover of £824m in the year to end-October.

Southmark, which is in the throes of a restructuring of its deht, this month said it was considering disposing of all hut its thrift, real estate and property management interests.

Allied London £35m placing

Allied London Properties, property investor and househuilder, has raised £35m through a further tranche of its 10¾ per cent first mortgage debenture stock 2025.

Schroders arranged the placing, priced yesterday at 101.32 to yield 10.61 per cent. The first £50m tranche was in 1985.

MS Intl makes acquisition for up to £0.95m

MS International, defence and engineering group, has acquired Surrey-based Turner Brothers for a maximum cash consideration of £950,000, of which £500,000 is payable initially.

Turner Brothars is a designer and manufacturer of specialist petrol station forecourt equipment for oil companies, and of related products for the water and electricity supply industries. It made pretax profits of £223,000 on sales of £835,000 in the year to end-June.

Kewill makes financial software buy

By Clare Pearson

KEWILL SYSTEMS, the USM-quoted manufacturing software house, is paying about £2.4m to acquire Omicron Management Software, in which tour operator Owners Abroad has disposed of a 47 per cent interest.

The consideration comprises £1m cash and tha issne of 600,000 ordinary shares. Omicron made pre-tax profits of £100,000 on sales of £2.22m in 1988.

Kewill has been Omicron's main dealer for many years, supplying customers with Omicron's financial software in addition to its own manufacturing management systems. It intends to use Omicron's network for its own products and also sees scope for technical collaboration.

Omicron contributed £20,000 to an overall £1.1m loss from associated companies in Owners Ahroad's results for the year to end-October 1988.

This is the third acquisition in the last 15 months by Kewill, which achieved pre-tax profits of £726,000 on turnover of £5.41m in the half-year to end-September. It follows the November 1987 purchase of Trifid, another specialist in manufacturing control software, and last November's acquisition of Xetal Systems, the supplier of specialist software for garment manufacturers.

SGT proposals are 'uncertain and inadequate'

By Nikki Tait

British Empire Securities, the investment trust which is waging a £100m bid battle for the larger Schroder Global Trust, yesterday hit back at its target's rival reorganisation scheme, claiming that these proposals were "uncertain and inadequate".

In a letter to shareholders, BES says that it considers "the uncertainties attached to the cost and marketability of the Luxemhourg-based unitisation only serve to emphasise the certainty of British Empire's offer".

Among its objections, BES says that the "conditional counter-proposals contain no statement of the value receivahle in cash", although Lazards, advising SGT, yesterday made clear that shareholders could expect to receive at least 98 per cent of net asset value if they wished to exit for cash.

Peel/London Shop

Peel Holdings has raised its cash bid for the preference shares of fellow property group London Shop from 80p to 100p, and declared it unconditional.

Peel now speaks for 98.7 per cent of the preference shares after bnying abont 11.6 per cent from a single institution which had been holding out for a higher price.

SHARE STAKES

Changes in company share stakes recently announced include:

Astra Holdings – Machine Tool Works has sold 3.35m shares reducing holding to 13m (4.44 per cent).

Baillie Gifford – Confederation Life disposed of 2m shares (12.8 per cent). Registered holder was Midland Bank Nominees.

Beckenham Group – C W Egleton, director, is interested in additional 1.38m ordinary following conversion of 125,000 of 4 per cent preference shares; he has also sold 700,000 ordinary at 106.875p. J W Howard is interested in a further 825,000 ordinary on conversion of 75,000 4 per cent preference; he has also sold 100,000 ordinary at 106.875p.

Bett Brothers John Govett, on behalf of a client under discretionary investment management, holds 3.66m (24.39 per cent).

Bremner – Mr Dennis McGuinness, chairman, bought 45,000 shares and increased his holding to 1.48m (12.7 per cent). He is tbe largest individual shareholder.

Bnrns-Anderson Group – Family Assurance Society is now interested in 2.24m (7.99 per cent) with the acquisition of 741,827 ordinary.

Chapmau Industries – Munksjo AB bought a further 260,000 shares at 425p each; the bolding is now 1.17m (26.95 per cent).

Chillington Corporatiou – CDFC Trust has lifted its bolding and nows has 1.4m (6.65 per cent).

Courts (Furnishers) – Scottish Amicable Investment Managers has bought 300,000, increasing holding to 2.15m (8.8 per cent).

Cresta Holdings – T S Jamieson has acquired 60,000 ordinary, bringing the total holding to 2.17m (5.72 per cent).

Derwent Valley Holdings – Stewart Ivory & Company Investment Managers' total shareholding of clients for whom it acts has increased to 484,000 (6.23 per cent).

Dewey Warren – Establishment Plambuit is, with discretionary clients, interested in 4.73m ordinary (9.06 per cent).

EFT Group – Dundee and London Investment holds an interest in 1.5m shares (5.34 per cent).

F&C Smaller Companies – NatWest investment Bank acquired 608,684 shares increasing bolding to 13.95m (15.65 per cent).

Feedex Agricultural Industries – Mr DW Frame, director, has increased his holding to 7.5m shares (11.97 per cent).

FII Group – Scottisb Amicable Investment Manegers acquired 305,000 shares increasing interest to 1.59m (13.2 per cent).

Goode Durrant – Devon Associates, ultimately controlled by Waring family trusts, has increased its bolding to 7m shares (13.8 per cent), witb the acquisition of 150,000 ordinary registered in name of Société de Placements Mobiliers et Immobiliers.

Minorco attacks Gold Fields' figures

By Kenneth Gooding, Mining Correspondent

ARGUMENTS about the hnge costs run up hy Consolidated Gold Fields, tbe diversified mining group, in its world-wide defence campaign against the hostile approaches by Minorco, the South African-controlled investment group, rumhled on yesterday.

Gold Fields spent £3.3m a week, according to Mr Tony Lea, finance director of Minorco.

He pointed out that, in its balf-year statement published on Thursday, Gold Fields said its defence costs for the first offer were £16.9m.

This was spent between the time the bid was launched on September 21 and October 25 when it was referred to the Monopolies and Mergers Commission, Mr Lea suggested.

"What are the costs since then and what are its commitments to the second defence?" he asked.

Howevever, Gold Fields said the money was spent in the period up to December 31. It included committments to future payments taken on before that date as well as the costs of making presentations to both the Monopolies Commission and the European Commission.

So Gold Fields calculates it spent £1.2m a week.

Minorco bid again for Gold Fields on Monday and Mr Lea made his comments about the defence costs in a financial analysis of the target company's interim figures. He claimed these "show very clearly the weakness of its current strategy and, in particular, its financial dilemma."

He said Gold Fields showed a net cash outflow from operations after capital expenditure, including working capital. "This has contributed to a further increase in net debt – from £638.3m at June 30 to £663.1m at December 31 – and in consequence Gold Fields has now a gearing of 98 per cent. And yet the dividend has been sharply increased, by 25 per cent.

"This undrlines the financial constraint on Gold Fields' ability to develop further its wholly-owned businesses," he added.

Mr Lea pointed out that Gold Fields' core operating assets, which Minorco intended to keep if its bid was successful, contributed 78 per cent of operating profits. The businesses Minorco would sell contributed a return of only 4.8 per cent and cash flow of only £7.7m from assets with a market value of £1.4bn.

The results were "a complete vindication of Minorco's business strategy and lends support to its current offer to Gold Fields' shareholders," he said.

MARKET STATISTICS

ECONOMIC DIARY

TODAY: Fianna Fail annual conference in Dublin (until February 26). Mr George Bush, President of the US, pays two-day visit to China.

MONDAY: French inflation figures (January). British and French government leaders meet in Paris. Mr. Bush visits Seoul during his return to Washington from Tokyo and Peking. European Community foreign ministers and their representatives meet Central American colleagues in Honduras to discuss economic aid tied to progress towards peace in the region. (until February 28). Sir James Cleminson, chairman of the British Overseas Trade Board, opens China Trade Expo '89 at Olympia, London (until March 5).

TUESDAY: New vehicle registrations (January). US GNP (fourth quarter) (first revision); merchandise trade, balance of payments (fourth quarter). Japanese leading indicators (December). Institute of Directors annual convention at Royal Albert Hall, London; speakers include Mr Kenneth Clarke, Professor Roland Smith and Mr Alistair Morton. Deadline for settling Taba territorial dispute. Yugoslavia's mass party body, the Socialist Alliance, meets to discuss the country's economic situation. Unilever publishes preliminary figures. STC results.

WEDNESDAY: London sterling certificates of deposit (January). Bill turnover statistics (January). UK banks' assets and liabilities and the money stock (January). Sterling commercial paper (January). Balance of payments current account and overseas trade figures (January). Advance energy statistics (January). US personal income (January), construction spending. Conference in Tokyo on industrial co-operation between Japan and the Gulf. Commercial Union results.

THURSDAY: United Kingdom official reserves (February). Capital issues and redemptions (February). European Community environment council meets in Brussels. US single family home sales (January). Hong Kong budget. The Economist holds conference on "1992 and beyond – Practical approaches to the human resource and management development issues" at the Hyatt Regency Hotel in Brussels (until March 3). Royal Dutch Shell results. Barclays Bank, Royal Insurance and Cadbury Schweppes publish preliminary figures.

FRIDAY: Company liquidity survey (fourth quarter). US leading indicators (January) and factory orders. Japanese balance of payments figures, Japanese consumer price index. West Germany's Green Party assembly in Duisberg (until March 5). Lord Young, Trade and Industry Secretary, to address Market Research Society annual conference in Brighton.

BANK RETURN

BANKING DEPARTMENT	Wednesday February 22, 1989		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	98,410,496	-	14,111,903
Bankers Deposits	1,290,585,515	-	28,324,639
Reserve and other Accounts	1,752,600,218	-	2,755,121
	3,156,149,229	-	45,191,663
ASSETS			
Government Securities	743,532,091	+	13,240,313
Advance and other Accounts	621,306,410	-	557,706,207
Premises Equipment & other Secs	1,786,656,688	+	505,202,391
Notes	4,420,713	-	5,926,940
Coin	234,327	-	1,220
	3,156,149,229	-	45,191,663
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	14,125,579,287	-	14,073,060
Notes in Banking Department	4,420,713	-	5,926,940
	14,130,000,000	-	20,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	8,124,623,694	+	2,740,049,323
Other Securities	5,994,361,206	-	2,760,049,323
	14,130,000,000	-	20,000,000

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abbey Life	fin	24.5‡	May 27	7.25	28.5‡	10.25
British Assets	qtr	0.775	Apr 7	0.625	-	2.7
Lloyds Bank	fin	11.3‡‡	May 9	8.6	16.8	13.2
PWS Holdings	fin	nil	-	7	3.5	10.5
Sheldon Jones §	int	1.35	-	1.35	-	4.65
Utd Plantations	fin	5‡	Jun 12	1.25	5	3.75
Vantage Secs	fin	2.4	-	2	3	2.6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡Includes 15p special payment. ‡‡Carries scrip option. ‡South African cents.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988/89 High	1988/89 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
†	F.P.	-	413	355	CLF Yeoman	408		R0241	4.6	2.5	13.3
545	F.P.	-	58	45	Cassidy Brothers 10p	58	+2	b3.08	2.0	7.1	9.2
245	F.P.	25/1	336	243	Compass Group 5p	334		R7.2	2.7	2.9	17.2
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price £	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -
[illegible]							
12	Nil	-	7pm	6pm	Lynx Group	6pm	-1
10	Nil	-	5pm	4pm	Memcom Intl.	4pm	
30	Nil	-	4½pm	1½pm	Stance Exhibition Grp. 5p	1½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. # Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Jan 23
- Last Dealings Feb 3
- Last Declarations May 4
- For settlement May 15

For rate indications see end of London Share Service

Calls in MG Grp, ICI, Ex Co Louis, Eurotunnel Wrnts, Aitken Hume, Dares Est, J. Williams, Reed Int, Ocean Wilson, Storehouse, Marley, Saatchi & Saatchi, Magnet, Butte, Kelt, Conroy, Neepsend, Southend Prop, CI Grp. Puts: Amstrad. P/C: Vistec.

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FT 30	FTSE 100	WALL STREET
Feb. 1662/1671 +1	Feb. 2019/2029 +2	Mar. 2260/2272 -32
Mar. 1673/1682 +1	Mar. 2033/2043 +2	Jun. 2285/2297 -33

Prices taken at 5pm and change is from previous close at 9pm

EUROPEAN OPTIONS EXCHANGE

Series		May 89 Vol	May 89 Last	Aug. 89 Vol	Aug. 89 Last	Nov. 89 Vol	Nov. 89 Last	Stock
GOLD C	$390	44	16	163	25	-	-	$389
GOLD C	$400	131	11	23	18.90	-	-	$389
GOLD C	$420	24	4.20	32	11	-	-	$389
GOLD C	$440	64	1.80	-	-	-	-	$389
GOLD C	$480	-	-	40	1.80	-	-	$389
GOLD P	$380	232	4.80	-	-	-	-	$389
		Mch. 89		**Apr. 89**		**May 89**		
EOE Index C	Fl. 255	160	12.20 A	3	13 A	-	-	Fl. 266.19
EOE Index C	Fl. 260	60	8	1	11 A	100	10.50	Fl. 266.19
EOE Index C	Fl. 265	373	4.90	36	7.50	44	7.50 A	Fl. 266.10
EOE Index C	Fl. 270	387	2.70	79	5 A	-	-	Fl. 266.19
EOE Index C	Fl. 275	85	1.40	6	3	-	-	Fl. 266.19
EOE Index C	Fl. 280	-	-	2518	2	-	-	Fl. 266.10
EOE Index P	Fl. 245	-	-	2500	1.10	-	-	Fl. 266.19
EOE Index P	Fl. 250	-	-	74	2 B	-	-	Fl. 266.19
EOE Index P	Fl. 255	0	1	53	3.30	-	-	Fl. 266.19
EOE Index P	Fl. 260	444	2.20	2564	5.20	-	-	Fl. 266.10
EOE Index P	Fl. 265	880	3.90	144	7.50 0	-	-	Fl. 266.19
EOE Index P	Fl. 270	361	6.90	8	9.50	-	-	Fl. 266.19
EOE Index P	Fl. 275	75	10	1	12	-	-	Fl. 266.19
EOE Index P	Fl. 280	5	14	110	16.50	-	-	Fl. 266.19
E/Fl C	Fl. 360	129	2.40	-	-	-	-	Fl. 361.46
S/Fl C	Fl. 205	654	2.50	85	3.70	-	-	Fl. 206.18
S/Fl C	Fl. 210	93	0.70	43	1.70	-	-	Fl. 206.18
S/Fl C	Fl. 215	38	0.20	3	0.70	-	-	Fl. 206.18
S/Fl P	Fl. 205	64	1.80	90	3.10	-	-	Fl. 206.18
S/Fl P	Fl. 210	42	4	-	-	-	-	Fl. 206.18
		Apr. 89		**Jul. 89**		**Oct. 89**		
ABN C	Fl. 40	317	2.20	114	2.60	186	3	Fl. 41.20
ABN P	Fl. 45	1700	3.90	2	5	2738	5.90	Fl. 41.20
AEGON C	Fl. 90	136	4	22	5.40	-	-	Fl. 91.40
AEGON P	Fl. 85	-	-	200	1.70	-	-	Fl. 91.40
AKZO C	Fl. 160	1071	0.80	82	2.30	42	4.80	Fl. 147.50
AKZO P	Fl. 150	144	5	381	10.50	44	10.30	Fl. 147.50
AMEV C	Fl. 60	5	0.80	67	1.40	1	1.70	Fl. 54.80
AMEV P	Fl. 55	100	1.70	80	3.20	-	-	Fl. 54.80
AMRO C	Fl. 80	274	2.50	74	3.50	33	4	Fl. 79.90
AMRO P	Fl. 75	307	1	-	-	-	-	Fl. 79.90
BUHRMANN-T C	Fl. 65	58	1.30 A	96	2	6	3.50	Fl. 62.70
GIST-BROC. C	Fl. 40	113	0.90	178	1.80	15	2.70	Fl. 36.80
HEINEKEN C	Fl. 140	59	7.50	-	-	2	11.80	Fl. 144.20
HEINEKEN P	Fl. 160	30	15.50 0	-	-	-	-	Fl. 144.20
HOOGOVENS C	Fl. 75	482	9	25	10.30	35	12.50	Fl. 83
HOOGOVENS P	Fl. 85	460	4.50	103	6.50	2	7.50	Fl. 83
KLM C	Fl. 50	186	0.30	297	1	28	1.28	Fl. 42.50
KLM P	Fl. 45	106	3	22	3.50	40	4.70	Fl. 42.50
KNP C	Fl. 50	52	2.10	94	3.30	2	4.30	Fl. 50.10
KNP P	Fl. 50	90	2.60	44	3.40	15	4 A	Fl. 50.10
NEDLLOYD C	Fl. 300	133	13	6	19.50	-	-	Fl. 296.50
NEDLLOYD P	Fl. 300	38	12.50	7	21 B	-	-	Fl. 296.50
NAT.NED. C	Fl. 65	163	1.20	725	2 A	233	2.60	Fl. 62.90
NAT.NED. P	Fl. 65	74	3.10	-	-	129	5.70	Fl. 62.90
PHILIPS C	Fl. 40	654	0.60	2383	1.20	286	2	Fl. 36.50
PHILIPS P	Fl. 30	617	0.20	180	0.50	-	-	Fl. 36.50
ROYAL DUTCH C	Fl. 125	1284	1.70	97	3	-	-	Fl. 121.20
ROYAL DUTCH P	Fl. 130	1392	9.30	-	-	-	-	Fl. 121.20
UNILEVER C	Fl. 130	311	3.40	123	5 A	7	7.50	Fl. 128.50
UNILEVER P	Fl. 110	-	-	350	1.10	-	-	Fl. 128.50
VAN OMMEREN C	Fl. 40	159	1.60	475	2.10	66	2.00	Fl. 39.20
VAN OMMEREN P	Fl. 40	3	2.10	40	2.90	-	-	Fl. 39.20

TOTAL VOLUME IN CONTRACTS : 56,021
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	13	Clydesdale Bank	13	NatWestminster	13
Adam & Company	13	Comm.Bk.N.East	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Co-operative Bank	*13	Norwich Gen. Trust	13
Allied Irish Bank	13	Coutts & Co	13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Cyprus Popular Bk	13	Provincial Bank PLC	14
ANZ Banking Group	13	Dunbar Bank PLC	13	R. Raphael & Sons	13
Associates Cap Corp	12	Duncan Lawrie	13	Roxburghe G'rantee	13½
Authority Bank	13	Equatorial Bank plc	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Exeter Trust Ltd	13½	Royal Trust Bank	13
Bank of Baroda	13	Financial & Gen. Bank	13	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	First National Bank Plc.	14	Standard Chartered	13
Bank Hapoalim	13	● Robert Fleming & Co.	13	TSB	13
Bank Credit & Comm	13	Robert Fraser & Ptrs.	13½	United Bk of Kuwait	13
Bank of Cyprus	13	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst.	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	§13.95		
Citibank NA	13	Mount Credit Corp.	13		
City Merchants Bank	13	Nat Bk. of Kuwait	13		

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FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Fri Feb 24 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1989 to date	Thu Feb 23 Index No.	Wed Feb 22 Index No.	Tue Feb 21 Index No.	Year ago (approx) Index No.	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (207)	910.46	+0.8	10.19	5.89	12.83	1.37	912.27	915.04	924.97	752.79	927.13 8/2/89	706.88 0/2/88	1038.07 16/7/87	50.71 13/12/74
2	Building Materials (28)	1145.12	+0.5	11.11	3.98	11.08	0.33	1139.18	1146.54	1164.00	999.63	1171.21 20/2/89	900.82 9/12/88	1381.08 16/7/87	44.27 11/12/74
3	Contracting, Construction (38)	1687.32	+0.2	11.90	3.64	10.95	1.58	1683.15	1686.77	1701.41	1503.60	1701.41 21/2/89	1385.83 4/1/88	1951.50 16/7/87	71.48 2/12/74
4	Electricals (10)	2659.36	+1.1	8.00	4.25	15.21	0.39	2629.48	2660.21	2685.88	2064.60	2687.63 15/2/89	1946.87 6/4/88	2733.45 20/7/87	84.71 25/6/62
5	Electronics (30)	2085.04	+0.8	8.99	5.14	14.39	7.63	2068.48	2073.11	2098.09	1529.49	2098.89 21/2/89	1423.66 9/2/88	2236.70 17/7/87	1229.01 8/10/85
6	Mechanical Engineering (55)	493.89	+0.8	0.64	3.82	12.63	0.53	489.83	492.46	496.28	389.29	496.28 21/2/89	367.20 8/2/88	544.57 14/10/87	45.43 5/1/75
8	Metals and Metal Forming (7)	520.32	+0.3	14.75	5.66	7.66	8.08	519.01	522.30	526.71	435.69	527.03 20/2/89	424.40 19/2/88	596.67 9/10/87	49.65 6/1/75
9	Motors (17)	309.61	+0.5	10.56	4.27	16.99	0.00	308.14	309.64	312.28	286.22	317.73 6/2/89	254.89 12/12/88	411.42 13/10/87	19.91 6/1/75
10	Other Industrial Materials (22)	1535.29	+1.7	8.99	4.10	13.20	3.56	1510.28	1500.30	1517.05	1269.49	1571.74 0/2/89	1191.01 6/2/88	1736.80 22/9/87	277.55 13/1/81
21	CONSUMER GROUP (186)	1159.08	.....	8.93	3.63	14.06	2.32	1159.42	1166.80	1182.63	1037.69	1203.17 8/2/89	989.31 14/12/88	1406.32 16/7/87	61.41 13/12/74
22	Brewers and Distillers (22)	1302.79	+0.2	9.58	3.41	13.19	0.03	1299.54	1299.41	1313.90	1011.16	1313.90 21/2/89	951.87 8/2/88	1313.90 21/2/89	69.47 13/12/74
25	Food Manufacturing (21)	1029.84	-0.7	8.92	5.74	14.10	2.05	1036.89	1045.67	1056.42	838.57	1069.86 8/2/89	803.48 6/4/88	1092.25 16/7/87	59.67 11/12/74
26	Food Retailing (15)	1988.87	-0.2	9.16	3.54	14.37	8.17	1984.24	2002.71	2054.00	2033.27	2179.42 10/3/88	1723.24 13/12/88	2649.96 16/7/87	54.25 11/12/74
27	Health and Household (13)	2090.45	+0.7	6.41	2.50	17.86	0.48	2075.18	2094.19	2127.25	1830.41	2189.17 8/2/89	1708.33 13/1/88	2699.85 16/7/87	175.38 28/5/80
29	Leisure (33)	1572.66	+0.3	7.63	3.32	16.55	11.11	1568.28	1583.23	1596.78	1212.85	1596.78 21/2/89	1142.19 4/1/88	1596.78 21/2/89	54.83 0/1/75
31	Packaging & Paper (17)	589.03	+0.6	9.47	5.89	13.13	0.53	585.57	588.36	597.81	504.95	607.36 8/2/89	473.11 6/4/88	739.46 16/7/87	43.46 6/1/75
32	Publishing & Printing (18)	3675.90	.....	8.61	4.27	14.55	3.38	3675.03	3701.33	3721.35	3446.69	3016.24 0/2/89	3091.72 14/12/88	5078.66 5/10/87	55.08 6/1/75
34	Stores (33)	753.22	-0.9	11.28	4.60	11.66	1.64	760.85	762.68	774.40	817.99	859.85 28/1/88	658.79 9/12/88	1160.58 29/7/87	52.63 6/1/75
35	Textiles (14)	511.12	-0.2	13.62	5.57	8.79	0.25	511.98	515.86	523.04	569.58	620.72 27/4/88	432.61 14/12/88	914.52 2/10/87	62.66 11/12/74
40	OTHER GROUPS (94)	1028.62	.....	18.34	4.29	11.81	0.24	1029.10	1038.90	1054.44	879.38	1063.77 8/2/89	834.42 6/2/88	1192.48 8/10/87	58.63 6/1/75
41	Agencies (18)	1238.48	+0.3	8.89	2.67	14.22	2.14	1234.91	1243.54	1253.86	1122.57	1253.86 21/2/89	994.01 12/12/88	1795.57 17/7/87	870.35 4/12/67
42	Chemicals (22)	1183.46	.....	11.27	4.91	10.66	0.23	1183.57	1186.59	1196.94	1054.33	1235.01 0/2/89	971.71 5/4/88	1545.46 5/10/87	71.26 1/12/74
43	Conglomerates (11)	1434.19	+0.5	10.78	5.09	10.72	0.00	1427.54	1448.91	1472.36	1179.04	1491.31 10/2/89	1095.37 4/1/88	1547.01 8/10/87	975.19 10/11/87
45	Shipping and Transport (13)	2284.89	+0.5	8.44	3.66	15.41	0.00	2272.74	2300.28	2327.15	1841.69	2329.29 8/2/89	1718.96 4/1/88	2497.85 16/7/87	90.80 29/6/62
47	Telephone Networks (2)	1068.40	-0.9	10.99	4.46	11.83	0.00	1077.76	1086.67	1108.75	953.82	1138.55 30/1/89	880.24 12/1/88	1274.14 9/6/87	517.92 50/11/84
48	Miscellaneous (28)	1434.35	+0.2	9.86	5.79	11.53	8.62	1431.84	1449.91	1474.36	1151.68	1477.60 8/2/89	1096.28 10/5/88	1773.76 5/10/87	60.39 6/7/75
49	INDUSTRIAL GROUP (487)	1080.53	+0.2	0.67	3.88	12.78	1.48	1078.39	1085.18	1099.50	932.09	1111.40 8/2/89	887.00 8/2/88	1268.86 16/7/87	59.01 13/12/74
51	Oil & Gas (13)	1893.36	+0.5	0.65	5.96	13.25	0.00	1883.86	1900.95	1916.46	1716.60	1964.75 31/1/89	1681.40 0/9/88	2458.68 16/7/87	87.23 29/5/62
59	500 SHARE INDEX (500)	1149.95	+0.2	9.67	4.16	12.84	1.37	1147.22	1154.86	1169.33	998.67	1182.53 6/2/89	958.79 5/2/88	1369.00 16/7/67	63.49 13/12/74
61	FINANCIAL GROUP (126)	737.50	-0.1	-	4.96	-	0.88	738.07	746.31	754.99	657.30	776.56 6/2/89	630.02 8/2/88	896.67 13/10/87	55.88 13/12/74
62	Banks (8)	731.75	-0.5	21.12	6.36	6.17	1.47	735.59	747.52	761.30	653.95	788.44 8/2/89	618.26 7/4/88	898.38 16/7/87	62.44 12/12/74
65	Insurance (Life) (8)	1027.91	+0.1	-	5.25	-	0.00	1027.25	1033.83	1042.99	975.96	1090.17 1/8/88	906.86 14/12/88	1285.72 0/10/87	44.88 2/1/75
66	Insurance (Composite) (7)	586.79	+0.3	-	5.33	-	0.00	585.07	590.69	594.35	520.49	611.64 8/2/89	481.43 8/2/88	707.50 13/10/87	43.96 13/12/74
67	Insurance (Brokers) (7)	1014.93	.....	8.63	6.32	14.49	6.68	1015.58	1011.90	1025.37	882.80	1071.22 8/2/89	823.41 6/4/88	1399.56 17/7/87	65.86 16/12/74
68	Merchant Banks (11)	346.90	+0.2	-	4.32	-	0.03	346.26	348.55	351.18	337.64	378.23 9/6/88	309.82 13/12/88	547.59 12/10/87	51.21 7/1/75
69	Property (53)	1286.87	+0.2	5.57	2.61	22.83	0.99	1284.40	1361.48	1309.75	1047.65	1339.17 8/2/89	975.44 4/1/88	1374.86 16/7/87	56.01 20/4/65
70	Other Financial (32)	381.57	-0.2	0.39	5.32	13.40	1.47	382.28	383.11	386.88	386.60	481.37 22/3/88	340.50 14/12/88	603.48 16/7/87	33.29 17/12/74
71	Investment Trusts (74)	1069.17	.....	-	2.88	-	1.26	1068.90	1070.71	1072.92	867.60	1085.53 0/2/89	784.91 4/1/88	1207.90 5/10/87	71.12 13/12/74
81	Mining Finance (2)	678.21	+0.3	8.54	5.18	12.93	0.00	675.99	681.50	674.51	418.81	681.50 22/2/89	385.04 6/2/88	727.93 3/8/87	66.31 30/9/74
91	Overseas Traders (8)	1412.56	+1.1	8.39	4.73	13.92	15.65	1396.75	1401.63	1409.12	1018.47	1447.77 7/11/88	960.88 4/1/88	1447.77 7/11/88	97.37 6/1/75
99	ALL-SHARE INDEX (710)	1050.47	+0.2	-	4.23	-	1.35	1048.43	1055.94	1068.07	907.47	1082.84 8/2/89	870.19 8/2/88	1238.57 16/7/87	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 23	Feb 22	Feb 21	Feb 20	Feb 17	Year ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX‡	2619.5	+2.9	2031.3	2019.2	2016.6	2033.7	2061.0	2065.8	2042.9	1766.5	2096.2 8/2/89	1694.5 6/2/88	2443.4 16/7/87	986.9 23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Feb 24	Day's change %	Thu Feb 23	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	118.17	+0.03	118.14	-	2.18
2	5-15 years	134.93	-0.11	135.09	-	2.25
3	Over 15 years	149.05	-0.10	149.18	-	1.86
4	Irredeemables	174.68	+0.31	174.14	-	1.16
5	All stocks	132.58	-0.06	132.66	-	2.20
	Index-Linked					
6	5 years	131.51	-0.10	131.64	-	1.36
7	Over 5 years	132.66	-0.08	132.77	-	0.72
8	All stocks	132.49	-0.09	132.61	-	0.74
9	Debentures & Loans	118.44	-0.12	118.59	-	1.34
10	Preference	89.96	+0.16	89.81	-	0.48

	AVERAGE GROSS REDEMPTION YIELDS		Fri Feb 24	Thu Feb 23	Year ago (approx.)	1988/89 High	1988/89 Low
	British Government						
1	Low	5 years	9.14	9.12	8.86	10.54 14/12/88	8.38 16/4/88
2	Coupons	15 years	8.94	8.95	0.11	9.83 13/1/88	8.77 9/2/89
3		25 years	8.85	0.87	9.02	9.57 13/1/88	8.73 16/2/89
4	*Medium*	5 years	10.49	10.45	9.33	18.94 14/12/88	8.75 18/4/88
5	Coupons	15 years	9.45	9.42	9.31	10.01 13/1/88	9.12 15/3/88
6		25 years	9.01	8.99	9.18	9.79 13/1/88	8.85 17/2/89
7	High	5 years	16.59	10.56	9.43	11.06 14/12/88	8.84 18/4/88
8	Coupons	15 years	9.67	9.64	9.46	10.16 13/1/88	9.26 15/3/88
9		25 years	9.19	9.17	9.22	9.82 13/1/88	8.99 27/1/89
10	Irredeemables†		8.80	8.82	9.13	10.69 2/9/88	8.65 18/4/88
	Index-Linked						
11	*Inflation rate 5%*	5yrs.	3.50	3.44	2.54	3.87 4/1/89	2.09 30/3/88
12	Inflation rate 5%	Over 5 yrs.	5.52	3.51	3.83	4.27 13/1/88	3.47 26/2/89
13	Inflation rate 10%	5 yrs.	2.60	2.54	1.55	3.59 13/1/88	1.09 56/3/88
14	Inflation rate 10%	Over 5 yrs.	3.35	3.34	3.66	4.37 13/1/88	3.30 20/2/89
15	Debs &	5 years	11.90	11.87	10.90	11.01 22/2/89	10.16 24/5/88
16	Loans	15 years	11.36	11.28	10.83	11.41 28/9/88	10.51 19/4/88
17		25 years	16.71	10.70	10.83	11.21 2/9/88	10.51 19/4/88
18	Preference†		10.02	10.03	10.53	10.84 4/1/88	9.54 22/6/88

‡Opening Index 2019.7; 10 am 2028.9; 11 am 2028.2; Noon 2029.9; 1 pm 2029.4; 2 pm 2031.0; 3 pm 2026.9; 4 pm 2023.6; 4.05 pm 2023.7 (a) 2.11pm (b) 3.38pm

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.07	Mechanical Engineering	31/12/71	153.84	All Other	10/4/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/75	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/4/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.
CONSTITUENT CHANGES: Raeburn Investment Trust (71) and Romney Investment Trust (71) have been deleted.

INTERNATIONAL COMPANIES AND FINANCE

Getty heir in $2.18bn offer for Emhart

By James Buchan in New York

EMHART, the US industrial and consumer products group best known for its Bostik adhesives and True Temper golf shafts, has received a $2.18bn takeover offer from an investment partnership that includes Mr Gordon Getty, the chief heir to the Getty oil fortune.

Topper Acquisition, a partnership of Mr Getty and the Fisher real estate family of New York, announced on Thursday it would offer $35 a share in cash for Emhart.

Emhart said yesterday it would carefully study the offer, but Wall Street investors predicted a vigorous auction for the Connecticut company.

Emhart stock was yesterday trading far above the $35-a-share offer from the investment partnership as Wall Street anticipated counter-offers by Emhart's management or other companies. In mid-afternoon trading, the shares were quoted at $40, up $7¼.

Mr Peter Scott, chairman of Emhart, said yesterday: "We are confident that Emhart is a strong company with a tremendous future." He urged stockholders not to tender shares to the investment partnership until management had studied the offer.

The Topper partnership said it wanted a friendly deal, which would maintain Mr Scott's management in place, but dispose of some businesses. But Topper also warned that it might seek shareholders' support in a proxy fight for control of the company.

Emhart's basic business is in such down-to-earth items as door locks and fastening systems, but it has also expanded into computer consulting and has a strong consumer operation.

The company, which grew only modestly for most of the 1980s, enjoyed an exceptional year in 1988 with revenues of $2.76bn and net income of $126m.

Mr Getty, a son of Getty Oil's founder, J. Paul Getty, is known as a passionate musician. Amid disputes with other of J. Paul's heirs, Mr Getty precipitated the sale of the family company to Texaco in early 1984. The Fishers own a number of Manhattan office buildings.

● Allegheny International, the US struggling US conglomerate, has signed a definitive merger agreement under which a unit of Donaldson, Lufkin and Jenrette, the US brokerage, will acquire majority ownership of the company. The merger will allow Allegheny to emerge from Chapter 11 of the US Bankruptcy Code.

Ashok Leyland gears up to expand model range

David Housego takes a look at an Indian bus and truck manufacturer's capital spending plans

With the announcement this week by Ashok Leyland, the Indian bus and truck manufacturer, that it is stepping up sharply its capital spending, the veil begins to lift on the strategy of the wealthy Hinduja trading group for establishing an industrial conglomerate in India.

Until it was recently taken over by the Hinduja family and Iveco, the Fiat truck subsidiary, Ashok Leyland was a slow-growing, cautiously managed engineering group, one of whose major assets was its skilled and disciplined workforce. It suffered from inadequate investment and from being in a market for medium and heavy vehicles that grew well below expectations. The decision by the British Rover group to pull out in 1987 and sell its 39 per cent stake was a recognition that it could do no more for the company.

The takeover by the Hinduja family and Iveco brought two immediate advantages. The Hindujas, as non-resident Indians with their fortune built up in trading, have both the funds and above all the foreign exchange to remove a major constraint on Ashok Leyland's development.

The Iveco group was able to expand its horizon with the prospect of new technology and products, and with potential export markets. Both facets are involved in the sharp increase in investment over the coming years.

From an average of Rs150m ($9.9m) over the last two years, spending on new plant and equipment will rise to Rs500m in 1989/90. The investment will go on developing new models, on enlarging the plant to build the Japanese designed Hino engine, and on retooling the company's oldest plant at Madras in South India.

Mr Ram Shahaney, Ashok Leyland's managing director, says the aim is to define by June, in conjunction with Iveco, the new vehicles to be introduced. They are intended both to enlarge Ashok Leyland's share of the domestic market and to be exported through the Iveco network abroad. Ashok Leyland wants to become a production platform for Iveco, with the eventual aim of selling vehicles back to Europe.

Mr Ashok Hinduja, who heads the family's operations in India, says the first priority is to bring Ashok Leyland's products up to international standard. The Hindujas, who up to now have no manufacturing experience in India, want to be known as producers of goods that are internationally competitive.

Beyond that, the family's industrial ambitions are extensive. They see Ashok Leyland as the cornerstone of an investment in the transport sector that could extend into cars and two wheelers, and into hovercraft, ship and air services.

Ram Shahaney: sees sales growing 15 per cent a year

In power generation, they have signed a memorandum of understanding with Bechtel, the US contruction and engineering group, to build and operate power stations in India, in the belief that the private sector will increasingly move into this field.

In telecommunications, they are seeking a joint venture with a foreign partner – probably Alcatel, the French group – if the Government should decide to enlarge its role as a supplier of digital switching systems for main exchanges.

Apart from their ample foreign exchange funds, the other advantage the Hindujas have, in a country where influence remains a major factor in winning contracts, is their access to the inner circle of Mr Rajiv Gandhi, the Prime Minister.

In terms of day-to-day management at Ashok Leyland, the family has been taking a back seat. Mr Ashok Hinduja says the family are "very happy" with the existing management and are giving them "a free hand and . . . full support."

Mr Shahaney, who represents continuity in the company, gives a more cautious view of its ambitions, saying: "Corporate strategy is to concentrate on the business we are in." He says that to be a car producer requires an output of "at least 100,000 cars a year to make commercial sense."

He sees turnover growing in real terms at 12 to 15 per cent a year on 1988's reported Rs5.3bn. With the need for heavy investment over the next five years, he says that "profit should not be the only consideration." He expects financial charges as a percentage of turnover to rise above the current level of 3.5 per cent.

The sharp increase in turnover and profits last year – turnover rose by 32 per cent and pre-tax profits doubled to Rs205m – was mainly due to the strong rise in domestic demand for medium and heavy vehicles.

Ashok Leyland's market share rose, however, by only 1 per cent. But the fruits of the new co-operation with the Hindujas and Iveco are already being felt. Increased investment will permit an accelerated introduction of the popular Hino engine to the group's vehicles. Ashok Leyland is negotiating with the Russians to build the engine for fitting to a Soviet-made chassis in the Soviet Union.

It also expects that the Hindujas' experience in countertrade will help increase exports to Asia, Africa and the Middle East. But the big breakthrough would come if it could develop as a production platform for Iveco sales in Europe and elsewhere. Such a leap is dependent not only on Ashok Leyland's own competitiveness but on its absorbing some of the additional load of the high-cost Indian economy.

Saab-Scania profits hit by strike

By Robert Taylor in Stockholm

SAAB-SCANIA, the Swedish automotive and aerospace group, suffered an 11 per cent drop in pre-tax profits last year from SKr3.6bn ($326m) to SKr3.2bn.

However, the board proposes to raise the annual dividend to SKr7.75 a share from SKr6.75 in 1987.

Consolidated sales rose 2.5 per cent from SKr41.4bn to SKr42.5bn last year.

Mr Georg Karnsund, president and chief executive, said the results were "proof" of Saab-Scania's strength. The decline in profits compared with 1987 was due in part to the national white-collar strike early in 1988 which cost the company Skr750m in lost production.

The company also cited development costs on the JAS 39 Gripen aircraft and the lower value of the dollar that affected car sales in the US.

"Our earnings must be seen in relation to the fact that we are in an expansive phase both in cars and aircraft," said Mr Karnsund. "The group has no net debt and its income after taxes paid increased by 8 per cent."

Saab's big success continues to be its booming Scania trucks division, which boosted 1988 profits by 16 per cent from SKr2.9bn to SKr3.4bn. Unit sales rose from 30,873 in 1987 to 31,549, with 92 per cent sold abroad, mainly in western Europe and Brazil. Sales rose to a new record of SKr15.3bn from SKr13.72bn.

Mr Karnsund said the company intended to extend its production capacity by 50 per cent for trucks over the next few years through a SKr1bn investment programme.

In a study of the company published last week Svenska Handelsbanken believed Scania was "capable of improving its profits considerably by means of large volume increases in 1989, in a market where there are very good prospects of obtaining high margins."

In contrast, the car division recorded a sharp decline in its profits last year – down from SKr720m to SKr11m. This was mainly due to a 17 per cent decline in demand for Saab cars in the US though sales rose in western Europe. The total number of cars sold was 116,288, compared with 131,320 in 1987.

The aircraft division continues to pose financial problems for the company, mainly due to the difficulties with the JAS 39 Gripen project. Losses in the division rose from SKr43m in 1987 to SKr138m last year. Sales fell to SKr4.08bn from SKr4.44bn.

Mr Karnsund announced a management shake-up in the company yesterday.

Mr Ingvar Eriksson is to *retire on health grounds from* being general manager of the Scania division, a post he has held since 1972.

He is to be replaced by the 44-year-old Mr Leif Oestling. Mr Jan-Erick Larsson, 53, has been appointed general manager for the car division.

Sears tears up price list in US overhaul

By Roderick Oram in New York

SEARS, ROEBUCK will on Wednesday initiate the largest shift in strategy seen in US retailing by permanently cutting prices on some 50,000 items in more than 800 stores across the country.

The world's biggest retailer had pledged the move to "everyday low prices" as the keystone of a major overhaul of corporate structure announced last autumn. The aim is to stem the erosion of its market share by discounters and cut-price chains.

Sears stores will close for 42 hours from Monday evening to Wednesday noon for staff to take inventory, change price tags and set up new displays.

In addition, Sears is launching a big advertising campaign and posting new price lists to 13m US households.

The store's previous strategy of higher prices coupled with a busy special offer programme had resulted in heavy inventory and advertising costs.

Even though it will sharply cut *these expenses, Wall Street* analysts believe Sears will find it hard to fulfil its promise "to meet or beat" its competitors on price while its other operating costs are still well above industry averages.

Poulenc to buy Monsanto aspirin plants

By George Graham in Paris

RHONE-POULENC, the French state-owned chemicals group, plans to acquire the bulk aspirin and paracetamol manufacturing plants of Monsanto, the US group, making it the world leader in these painkilling products.

No price was disclosed for the acquisition, which involves three plants producing salicylic acid and acetaminophen, the raw materials for aspirin and paracetamol, in the US and the UK. It also includes a share in a joint venture in Thailand.

Sales for the plants acquired are estimated at FFr500m ($80.4m) a year, doubling Rhône-Poulenc's size in the bulk aspirin and paracetamol market.

Bayer, the West German pharmaceuticals company, is world leader for aspirin in pill form. Rhône-Poulenc also has activities in the aspirin pill market, recently boosted by the purchase of Bottu, a leading French manufacturer with the Doliprane paracetamol brand, from the foods group BSN.

The acquisition forms an immediate riposte to widespread criticism of Rhône-Poulenc for spending an estimated FFr600m on increasing its stake in the Société Générale bank, as well as FFr66m on a stake in Marceau Investissements, the investment fund of financier Mr Georges Pébereau.

Critics of Mr Jean-René Fourtou, Rhône-Poulenc's chairman, have suggested that he is busily waging a political campaign to retain his seat at the head of the nationalised concern, which comes up for renewal by the Government this summer.

Appointed under the last right-wing Government of Mr Jacques Chirac, Mr Fourtou is regarded as a supporter of the centrist Mr Raymond Barre.

The Industry Ministry, however, is examining proposals from Mr Loic Le Floch Prigent, Mr Fourtou's ousted predecessor, for restructuring the French state chemicals sector to create a group of world size.

Saga Petroleum proposes to pay first dividend

By Karen Fossli in Oslo

SAGA PETROLEUM, Norway's largest independent oil company, is proposing to pay its first dividend – of NKr3 a share – despite a two-thirds fall in pre-tax profits to NKr152m ($22.7) in 1988 from NKr456m in 1987.

The plunge in profits, which were struck before extraordinary items, reflected considerably lower oil prices and a sharp fall in exchange gains from forward sales of the US dollar to NKr91m from NKr284m.

Mr Anders Utne, deputy managing director, forecast a reduction in financial gains in the coming years, partly due to a decline on forward dollar contracts.

Saga's operating profits slid to NKr63m from NKr173m, as operating costs rose marginally to NKr1.05bn from NKr1bn. Operating revenues also rose slightly to NKr1.45bn from NKr1.43bn.

Mr Utne forecast that for 1989 Saga will be greatly influenced by dollar exchange rates and interest payments.

UBS ahead despite increase in provisions

By John Wicks in Zurich

NET PROFITS at Union Bank of Switzerland rose by 3.4 per cent last year to a record SFr778.3m ($502.1m) despite a 7.4 per cent increase in depreciation and provisions to SFr763.2m.

At its April 13 annual general meeting, the Zurich bank, Switzerland's biggest, is to propose unchanged dividends of SFr120 per bearer share, SFr24 per registered share and SFr4.80 per participation certificate, and a sum of SFr265m to be transferred to reserves.

Within last year's total revenue of SFr10.84bn, UBS says the decline in commission income remained "within relatively narrow limits" at 5.3 per cent to a net SFr1.5bn. At the same time, net interest earnings increased 9.9 per cent to SFr1.7bn, due to larger volumes of business and favourable exchange rates.

Elsewhere, currency and precious metals trading income jumped 12.7 per cent to a record SFr474m, while that from securities went up 6.5 per cent to SFr468m and from permanent holdings by 3 per cent to SFr72.5m.

According to Mr Robert Studer, the executive board president, the increase in "losses, depreciation and provisions" to SFr763m was due almost entirely to contingency provisions for loan and transfer risks and depreciation on investments in the bank's infrastructure.

Provisions for transfer and country risks were, he said, already above those required by the Federal Banking Commission for the end of 1989.

Mr Studer stressed that UBS had not mobilised any hidden reserves to help offset losses resulting from the stock market crash. This follows claims made by Mr Kurt Hauri, the Banking Commission director, that big banks had been among those which had taken steps of this kind.

Following the substantial expansion of business operations, particularly in London, New York and Tokyo, Mr Studer said the bank expected corresponding investments to "start paying off in full in the next few years."

Referring to the recently disclosed losses of the London subsidiary Phillips and Drew, he said it would come as no surprise that the "earning situation at some of our subsidiaries is not yet satisfactory."

The balance sheet total increased by only 3.8 per cent *last year, from SFr160.4bn* to SFr166.6bn. This was the smallest absolute growth rate since 1979 and would have represented a rise of only 0.9 per cent had the dollar rate remained unchanged.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	High 1988/89	Low 1988/89
Gold per troy oz.	$389.25	+9.00	$432	$485.5	$380.25
Silver Per troy oz	338.30p	+10.35	350.7p	457.75p	327.45p
Aluminium 99.7% (cash)	$2195.0	+62.5	$2345	$4205	$1915
Copper Grade A (cash)	£1895.0	+243.5	£1207.5	£2004	£1129.5
Lead(cash)	£344.5	+6.0	£370.5	£408	£328
Nickel (cash)	$18950	+500	£11500	$22200	£4022.5
Zinc (cash)	$2020.0	+32.5	£503.5	$2020	$850
Tin (cash)	£4730	+222.5	£3877.5	£4730	£3625
Cocoa Futures (May)	£874	+11	£1010	£1182	£722
Coffee Futures (May)	£1120	+3	£1258	£1317	£922
Sugar (LDP Raw)	$277.2	+5.2	$204.6	$393	$213.6
Barley Futures (May)	£112.20	+0.75	£106.65	£112.25	£97.25
Wheat Futures (May)	£116.75	+0.65	£107.9	£118	£103.35
Cotton Outlook A Index	62.55c	+1.05	66.35c	75.3c	54.9c
Wool (64S Super)	647p	-3	578p	710p	484p
Rubber (Spot)	56.5p	-2.5	63.25p	68p	51p
Oil (Brent Blend)	$16.875	+0.175	$14.725	$17.9	$11.25

Per tonne unless otherwise stated. †Unquoted. p-pence/kg, c-cents lb

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.25-4.35q	-0.05
Brent Blend	$16.80-6.95z	+.025
W.T.I. (1 pm est)	$17.85-7.90q	
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$185-187	+2
Gas Oil	$138-140	-1.5
Heavy Fuel Oil	$77-79	
Naphtha	$160-162	-1
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$389.25	-2.25
Silver (per troy oz)♣	593c	-11
Platinum (per troy oz)	$532.75	-5.50
Palladium (per troy oz)	$143.5	-2.5
Aluminium (free market)	$2185	-30
Copper (US Producer)	147⅝-50¾c	+5
Lead (US Producer)	32.5c	
Nickel (free market)	855c	
Tin (European free market)	£4730	+55
Tin (Kuala Lumpur market)	22.20r	+0.18
Tin (New York)	379.5c	+4.0
Zinc (US Prime Western)	89⅝c	
Cattle (live weight)†	106.67p	-0.08*
Sheep (dead weight)†	151.10p	+10.8*
Pigs (live weight)†	79.57p	+2.60*
London daily sugar (raw)	$277.2u	-7.8
London daily sugar (white)	$303.0u	-6.5
Tate and Lyle export price	£267.5	-5.0
Barley (English feed)	£116.5q	
Maize (US No. 3 yellow)	£132	
Wheat (US Dark Northern)	£122.7v	
Rubber (spot)♥	56.5p	-1.0
Rubber (Apr) ♥	66p	-1
Rubber (May) ♥	66.5p	-1.0
Rubber (KL RSS No 1 Mar)	301m	-2
Coconut oil (Philippines)§	$530x	
Palm Oil (Malaysian)§	$407.5	-2.5
Copra (Philippines)§	$350z	
Soyabeans (US)	$139x	-1
Cotton "A" index	62.55c	+0.20
Woollops (64s Super)	647p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Mar. v-Apr/May. u-Mar/Apr. q-Apr. x-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg

COCOA £/tonne

	Close	Previous	High/Low
Mar	855	842	855 843
May	874	863	878 865
Jul	875	864	880 867
Sep	874	864	878 866
Dec	891	882	896 886
Mar	883	869	885 875
May	887	870	885 878

Turnover:7880 (11367) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 23: 1117.32 (1115.54):10 day average for Feb 24: 1137.26 (1138.57).

COFFEE £/tonne

	Close	Previous	High/Low
Mar	1140	1153	1155 1130
May	1120	1128	1130 1110
Jly	1092	1097	1099 1087
Sep	1081	1086	1082 1075
Nov	1071	1073	1072 1063
Jan	1061	1075	1065 1060
Mar	1065	1070	1060

Turnover:4205 (4032) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 23: Comp. daily 115.86 (114.99): . 15 day average 110.45 (118.68).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	244.80	246.00	250.00 243.80
May	250.40	250.00	255.80 248.40
Aug	250.40	250.20	250.00 248.80
Oct	246.00	248.60	251.00 244.60
Dec	244.00	246.80	244.00
Mar	240.00	241.00	
White	**Close**	**Previous**	**High/Low**
May	301.00	298.50	303.00 299.00
Aug	307.00	304.50	316.00 304.00
Oct	295.50	294.00	299.00 292.00
Dec	293.00	289.00	
Mar	282.00	283.00	281.50 281.00
May	281.00	282.00	283.00

Turnover: Raw 4062 (3101)lots of 50 tonnes. White 1963 (1011).
Paris- White (FFr per tonne): May 1855, Aug 1905, Oct 1809, Dec 1790, Mar 1760, May 1750.

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2050	154	188		39
2150	62	107	7	77
2250	8	64	54	131
Copper (Grade A)	**Calls**		**Puts**	
2900	289	202		114
3100	108	111	18	210
3300	10	55	125	360

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 11,100 tonne
Cash	2190-2200	2205-10	2180	2180-1		
3 months	2170-5	2180-5	2175/2150	2160-2	2165-70	26,233 lots
Copper, Grade A (£ per tonne)						Ring turnover 49,250 tonne
Cash	1890-900	1795-800	1890/1805	1805-10		
3 months	1695-700	1676-7	1708/1668	1671-2	1698-700	64,157 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	588-91	596-9		590-3		
3 months	601-4	609-12		603-6		341 lots
Lead (£ per tonne)						Ring turnover 7,350 tonne
Cash	344-5	344-5	347/344	346-7		
3 months	351-3	350-1	353/350.5	353-3.5	350-2	10,036 lots
Nickel ($ per tonne)						Ring turnover 2,598 tonne
Cash	18900-9000	18900-9000	18950/18800	18900-9000		
3 months	18350-400	18550-600	18500/10100	18200-300	18400-50	6,026 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 7,725 tonne
Cash	2020-30	2040-50	2050	2040-50		
3 months	1920-30	1935-40	1929	1929-30	1935-45	5,618 lots
Zinc ($ per tonne)						Ring turnover 17,625 tonne
Cash	2015-25	2005-15	2020/2005	2015-7		
3 months	1895-900	1890-5	1915/1855	1885-90	1910-5	11,928 lots

POTATOES £/tonne

	Close	Previous	High/Low
Apr	64.5	64.8	66.5 64.4
May	79.8	79.3	01.5 79.0
Nov	89.0	90.0	
Feb	100.0	102.0	
Apr	138.7	129.5	129.6 128.5

Turnover 350 (209) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	59.00	156.00	58.00 56.50
Jun	52.50	150.00	50.10
Aug	46.50	145.80	45.10

Turnover 372 (90) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Feb	1529	1524	1529 1525
Mar	1616	1616	1627 1616
Apr	1670	1669	1679 1670
Jul	1469	1470	1478 1468
Oct	1585	1575	1585 1580
Jan	1600	1594	1600
Apr	1630	1625	1630
BFI	1529	1013	

Turnover 298 (414)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Mar	113.30	113.15	113.35 113.15
May	110.75	116.75	116.75 116.50
Jun	118.60	118.60	118.50 118.40
Sep	104.25	104.05	104.25 104.00
Nov	106.35	106.35	106.35 106.30
Jan	109.40	109.50	109.40
Mar	112.40		112.40
Barley	**Close**	**Previous**	**High/Low**
Mar	110.50	110.00	110.65 110.00
May	112.20	112.25	112.30 112.10
Sep	100.85	100.85	100.85
Nov	104.00	104.00	104.00

Turnover: Wheat 204 (626) . Barley 104 (131) .
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	389-389½	222-222½
Opening	389½-390	221½-222
Morning fix	389.25	221.415
Afternoon fix	388.40	221.374
Day's high	389¾-390¼	
Day's low	388-388½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	400-405	228-231
Britannia	400-405	228-231
US Eagle	400-405	228-231
Angel	400-405	228-231
Krugerrand	388-391	221½-223½
New Sov.	91½-92½	52¼-53
Old Sov.	91½-92½	52¼-53
Noble Plat	542.35-551.45	308.60-313.75
Silver fix	**p/fine oz**	**US cts equiv**
Spot	338.30	594.30
3 months	349.25	609.20
6 months	360.30	624.70
12 months	381.30	656.05

CRUDE OIL $/barrel

	Close	Previous	High/Low
Apr	16.15	16.28	16.25 16.09
May	15.77	15.92	15.82 15.72
IPE Index	16.25	16.13	

Turnover: 2495 (3376)

GAS OIL $/tonne

	Close	Previous	High/Low
Mar	140.00	141.75	142.00 139.50
Apr	139.00	139.75	140.25 138.00
May	137.50	138.50	139.00 137.25
Jun	136.50	137.75	137.75 136.25
Jul	136.75	138.00	137.75 137.00
Aug	141.00	142.00	138.50
Sep	143.00	141.75	
Oct	144.00	143.25	142.00 139.00
Nov	145.00	144.00	145.00 142.25

Turnover 5003 (5173) lots of 100 tonnes

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	391.1	391.0	392.0	389.0
Mar	390.3	392.3	389.7	389.5
Apr	392.6	394.0	393.6	391.6
Jun	397.7	399.1	398.5	396.7
Aug	403.4	404.8	403.8	402.0
Oct	409.4	410.7	410.0	409.0
Dec	415.3	416.5	416.2	414.5
Feb	391.1	391.0	392.0	389.0
Apr	427.4	428.4	427.4	426.7

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	542.3	542.2	0	0
Apr	539.8	539.7	540.5	534.1
Jul	538.3	538.7	538.5	532.9
Oct	538.3	538.7	537.5	535.0
Jan	539.3	539.7	534.0	533.0
Apr	540.3	540.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	592.3	593.1	0	0
Mar	592.5	593.5	595.0	590.0
Apr	598.0	598.9	597.5	597.5
May	603.0	604.4	606.0	601.0
Jul	615.2	615.8	616.0	612.0
Sep	626.3	626.9	628.5	624.0
Dec	642.3	642.9	645.0	640.0
Jan	647.1	647.7	0	0
Mar	658.1	658.7	660.0	659.0
May	669.2	669.8	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	138.80	141.60	138.50	138.40
Mar	136.00	138.60	139.40	136.30
Apr	130.50	132.85	0	0
May	127.50	129.80	130.60	127.10
Jul	121.10	123.10	123.20	121.00
Sep	116.75	118.85	118.50	116.50
Dec	112.85	115.00	114.00	112.80

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	17.94	17.83	17.94	17.68
May	17.49	17.39	17.49	17.27
Jun	17.18	17.11	17.18	17.00
Jul	16.95	16.88	16.96	16.77
Sep	16.57	16.53	16.59	16.44
Oct	16.48	16.44	16.48	16.37
Nov	16.44	16.39	16.44	16.25
Dec	16.34	16.35	16.39	16.25
Jan	16.25	16.31	16.25	16.18

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	5110	5059	5115	5025
Apr	4930	4865	4930	4850
May	4765	4742	4770	4700
Jun	4660	4650	4670	4605
Jul	4610	4597	4610	4556
Aug	4635	4640	4635	4590
Sep	4690	4700	4690	4635
Oct	4700	4760	4730	4700

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1642	1627	1650	1620
May	1541	1527	1555	1513
Jul	1490	1472	1500	1464
Sep	1455	1445	1459	1433
Dec	1441	1418	1448	1414
Mar	1494	1418	1433	1430

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	126.00	127.60	127.75	125.25
May	125.79	125.95	126.20	123.20
Jul	122.60	122.80	122.80	120.30
Sep	120.23	119.99	120.40	117.75
Dec	118.05	118.67	118.50	116.00
Mar	118.00	119.00	115.80	115.80
May	116.80	119.00	117.50	117.00
Jul	118.55	120.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.95	11.16	11.35	10.90
May	11.24	11.27	11.83	11.17
Jul	17.12	11.21	11.47	11.09
Oct	10.97	11.06	11.31	10.98
Jan	10.55	10.46	0	0
Mar	10.70	10.71	10.95	10.70
May	10.69	10.70	10.90	10.70

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	58.15	58.55	58.50	58.10
May	59.46	59.60	59.59	59.22
Jul	59.90	59.70	60.00	59.65
Oct	59.65	59.45	59.90	59.38
Dec	59.80	59.45	59.90	59.38
May	59.75	59.75	59.76	59.75

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	137.30	138.25	139.50	137.30
May	138.15	138.20	138.70	136.00
Jul	136.10	138.25	138.60	136.75
Sep	135.30	138.00	138.00	135.25
Nov	133.00	135.50	135.50	133.00
Jan	129.00	132.50	131.25	130.50
Mar	128.00	132.50	0	0
May	128.00	132.60	0	0
Jul	128.00	132.50	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 23	Feb 22	mnth ago	yr ago
1910.2	1939.9	1887.0	1771.0

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	137.36	137.02	141.05	127.76
Futures	139.43	139.04	142.48	131.99

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	761/0	756/6	765/4	755/4
May	768/6	768/0	775/0	764/4
Jul	774/2	774/6	780/4	771/4
Aug	769/2	771/0	774/4	766/4
Sep	740/0	742/4	747/0	739/0
Nov	725/6	727/4	731/0	723/4
Jan	733/0	735/0	737/0	731/0
Mar	741/0	743/0	742/0	739/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	22.67	22.96	22.96	22.60
May	23.33	23.56	23.54	23.12
Jul	23.89	24.12	24.12	23.78
Aug	24.07	24.35	24.35	24.05
Sep	24.35	24.60	24.55	24.30
Oct	24.50	24.75	24.60	24.40
Dec	24.75	24.97	24.90	24.60
Jan	24.80	25.00	24.95	24.75

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	240.2	238.8	242.5	238.9
May	237.5	236.3	240.0	234.5
Jul	233.9	232.2	236.0	231.0
Aug	230.0	228.2	232.0	228.0
Sep	225.5	223.5	226.0	223.5
Oct	219.0	218.7	220.0	217.0
Dec	216.7	216.5	218.0	215.5
Jan	216.5	216.0	217.0	216.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	271/4	272/0	273/0	271/2
May	277/6	278/2	279/2	277/4
Jul	281/2	281/4	282/6	281/0
Sep	273/4	273/0	274/4	272/6
Dec	269/6	269/4	271/0	269/4
Mar	277/0	276/2	277/2	275/4
May	280/0	279/0	280/4	279/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	434/0	427/0	435/0	426/0
May	433/2	427/6	435/0	425/6
Jul	406/4	400/6	409/0	399/2
Sep	413/4	407/4	418/0	406/2
Dec	426/0	420/0	428/0	419/0
Mar	428/4	423/4	428/4	425/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	78.15	77.92	78.40	77.70
Jun	75.27	75.22	75.67	75.02
Aug	72.80	72.92	73.32	72.70
Sep	72.50	72.80	0	0
Oct	71.87	71.80	72.27	71.70
Dec	73.02	73.00	73.40	72.87
Feb	73.05	73.00	73.20	72.70

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	43.62	43.60	43.30	43.15
Jun	47.92	48.10	48.07	47.60
Jul	48.15	47.95	48.27	47.62
Aug	47.12	46.95	47.20	46.80
Oct	43.62	43.85	44.10	43.50
Dec	45.37	45.30	45.40	45.20
Feb	45.60	45.50	45.55	45.35

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	37.42	39.42	39.70	37.42
May	37.87	39.72	40.30	37.72
Jul	38.07	39.60	40.00	37.85
Aug	37.10	38.42	38.70	37.05
Feb	49.55	50.07	49.60	48.07
Mar	46.70	48.52	0	46.70
May	50.00	50.00	0	0
Jul	51.20	01.20	0	0

INTL. COMPANIES

Forestry and paper business helps 55% rise at NHB Peko

By Chris Sherwell in Sydney

NORTH BROKEN Hill Peko, the Australian mining and forest products group, yesterday reported equity-accounted net profits of A$62.5m (US$51.9m) for the six months to December, up 55 per cent on the same period of 1987 and in line with expectations.

The figures reflect the acquisition by North Broken Hill last February of Peko-Wallsend, and the creation with CRA, another major resources group, of Pasminco, a joint venture holding the two companies' large lead, zinc and silver interests.

The earnings therefore include equity-accounted profits from Pasminco of A$22.4m, on top of A$40.1m in net operating profits from the group's paper and forestry businesses, its mining and industrial activities (which include the Robe River iron ore mine) and subsidiaries such as ERA, the uranium miner.

Sales revenues showed a similar overall increase of 54 per cent to reach A$894m, while a string of asset sales – a controlling stake in Peko Oil to Santos and various assets sold to Elders Resources – produced additional extraordinary profits of A$216.5m.

The group said all its businesses operated at improved levels due to buoyant market conditions.

A breakdown of the figures showed that the paper and forestry businesses produced the largest profit before interest and tax, of A$43m.

Overall profit before interest and tax rose sharply to A$141m from A$88m, but this increase was offset by a rise in interest payments on borrowings, from A$7m to A$59m, springing from the purchase of Peko-Wallsend.

Directors declared a fully-franked dividend of five Australian cents a share and a special fully-franked dividend of six cents.

In a separate announcement the group made an offer to purchase the 37 per cent of shares in the loss-making Norgold gold operation which it does not already own.

Commonwealth Bank of Australia acquires ASB

By Our Financial Staff

COMMONWEALTH BANK of Australia, one of Australia's big four banks, is to pay NZ$252m (US$158m) for 75 per cent of New Zealand's ASB Bank, which is wholly owned by the charity ASB Community Trust.

ASB will in future operate as the New Zealand arm of the 100 per cent state-owned Commonwealth Bank, but under its own name.

The deal, subject to government approval, would make Commonwealth Bank the largest retail banking group in Australasia, according to ASB. Commonwealth Bank has 21 per cent of Australian bank deposits and ASB 9 per cent of New Zealand's deposits.

Mr Dennis Ferrier, ASB Bank's chief executive, said the trust had sold the stake so that it could be connected to an international bank. "A bank without international affiliations will not have longevity," he said.

Mr Ian Payne, Commonwealth Bank's deputy managing director, said his bank had been looking for "a sensible way" of entering the New Zealand market for a considerable time. Commonwealth had been the only major Australian bank without a New Zealand subsidiary. Commonwealth is to fund the purchase out of its reserves.

ASB was until recently known as Auckland Savings Bank, a 142-year-old trustee savings bank with a government guarantee on all deposits. But since legislative changes for trustee banks came into force last year, ASB has become a commercial bank.

The New Zealand Government retains its guarantee on deposits made before the legislation but does not guarantee those made afterwards. The bank, with 98 branches and some 600,000 customers in the Auckland region, has NZ$3bn in assets and made a net profit of NZ$31.9m for the year to March 31, 1988.

It is a leading mortgage lender in its region, providing one in three mortgages in Auckland.

This will fit in well with the Commonwealth Bank, which is the largest lender for housing in Australia. ASB sought full banking registration from the Reserve Bank of New Zealand last August and expects to get this soon, Mr Ferrier said.

Strong ferro-chrome demand boosts Samancor

By Jim Jones in Johannesburg

SAMANCOR, South Africa's largest producer of ferro-alloys, lifted sales in the six months to December, as particularly strong international demand for ferro-chrome pushed sales volumes and prices sharply higher.

The company, which is controlled by Gencor, South Africa's second-largest mining group, recorded R801m ($322m) turnover in the six months to December 31 1988, against R1.09bn in the nine months to December 31 1987, and R913m in the financial year to March 31 1987.

It posted an interim pre-tax profit of R360m. This is not strictly comparable with previous years as the financial year-end has been changed to June 30.

The directors say chrome ore and alloy sales increased substantially with record world production of stainless steel. They add that demand for manganese ores and alloys, used in the manufacture of ordinary and specialty steels, exceeded supply for the first time in a decade and that prices have doubled since the start of 1987.

Silicon metal supply and demand remained in balance while firm domestic demand lifted sales of industrial minerals and chemicals.

At present the group is considering a diversification into crude stainless steel manufacture to supply a Taiwanese customer.

The first half earnings were 150 cents a share and an interim dividend of 85 cents has been declared.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pressure on pound and dollar

FEARS ABOUT rising inflation prompted a half point rise in the US discount rate yesterday to 7 per cent. At the same time, major banks continued the move started late on Thursday by increasing prime rates to 11½ per cent.

The market's immediate reaction to the discount rate rise was to sell the dollar. The increase was regarded as a supportive move, but many investors were more interested in taking profits. This pushed the US unit down from DM1.8290 just before the announcement to around around DM1.8200. Thereafter, the dollar showed signs of a gentle recovery.

The impact of the rise was rather muted. Most traders saw the increase as a belated endorsement of a rise in interest rates that has already happened in the market place. Furthermore, there is underlying concern about a further rise in West German interest rates, which would only add substance to the possibility of an interest rate spiral, something that central banks appear keen to avoid.

The dollar closed at DM1.8230 from DM1.8225 and Y126.25 compared with Y126.20. Elsewhere, it finished at SFr1.5565 from SFr1.5515 and FFr6.2125 against FFr6.2175. On Bank of England figures, the dollar's exchange rate index was 66.6 against 66.5 on Thursday.

Sterling opened on a steady note, gaining strength from support on Thursday by the Bank of England and also comments by Mr Nigel Lawson, UK Chancellor, ruling out the chances of an early cut in bank base rates.

However, a rise in US rates and a more nervous tone ahead of the weekend saw sterling slip once more to below DM3.20 which prompted the Bank of England to intervene once more to sell D-Marks and US dollars. But sterling remained in the doldrums, closing at DM3.1950 against DM3.2075. Its exchange rate index slipped to 96.5 from 96.7 at the opening, and the close on Thursday. Against the dollar, it fell to $1.7530 from $1.7600 and to Y221.25 from Y222.00. Elsewhere, it finished at SFr2.7275 from SFr2.7300 and FFr10.8900 from FFr10.9425

The more nervous undertone reflects the level of uncertainty being generated before the release of UK January trade figures on March 1. While most traders moved into the weekend with short positions, there is every need to be cautious. Further central bank intervention seems likely if the pound continues to fall, and support for the pound in overseas markets before the start of business in London on Monday could lead to a number burnt fingers.

£ IN NEW YORK

Feb.24	Latest	Previous Close
£Spot	1.7545-1.7555	1.7600-1.7610
1 month	0.48-0.47pm	0.45-0.42pm
3 months	1.39-1.36pm	1.36-1.31pm
12 months	3.72-3.65pm	3.95-3.85pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Feb.24	Previous
8.30	am	96.7	96.7
9.00	am	96.8	96.7
10.00	am	96.7	96.6
11.00	am	96.8	96.6
Noon		96.7	96.5
1.00	pm	96.7	96.4
2.00	pm	96.6	96.5
3.00	pm	96.6	96.7
4.00	pm	96.5	96.7

CURRENCY RATES

Feb.24	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.755826	0.646976
U.S Dollar	7	1.32723	1.13641
Canadian $	11.54	1.58684	1.36199
Austrian Sch.	4	17.0151	14.6256
Belgian Franc	7.75	50.7599	43.6070
Danish Krone	7½	9.32528	8.10603
Deutsche Mark	4	2.41941	2.07873
Neth.Guilder	5.00	2.73144	2.34669
French Franc	9½	8.25736	7.08554
Italian Lira	12½	1786.45	1532.17
Japanese Yen	2½	167.563	143.893
Norway Krone	8	8.84599	7.60260
Spanish Peseta	-	152.322	130.347
Swedish Krona	8½	8.31709	7.14179
Swiss Franc	4	2.06119	1.77167
Greek Drach.	20½	203.252	174.724
Irish Punt	-	N/A	0.779593

*All SDR rates are for Feb.23

CURRENCY MOVEMENTS

Feb.24	Bank of England Index	Morgan** Guaranty Changes %
Sterling	96.5	-15.0
U.S Dollar	66.6	+12.1
Canadian Dollar	101.2	-1.4
Austrian Schilling	106.7	+9.9
Belgian Franc	105.9	-6.1
Danish Krone	103.2	-1.5
Deutsche Mark	113.1	+20.9
Swiss Franc	108.4	+17.9
Guilder	110.3	+13.3
French Franc	99.2	-15.7
Lira	97.1	-20.3
Yen	151.8	+85.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Feb.23.

OTHER CURRENCIES

Feb.24	£	$
Argentina	31.8950 - 32.1005	18.2100 - 18.3200
Australia	2.1215 - 2.1245	1.2120 - 1.2135
Brazil	1.7425 - 1.7520	0.9950 - 1.0000
Finland	7.4670 - 7.4890	4.2620 - 4.2640
Greece	267.25 - 272.10	152.35 - 154.80
Hong Kong	13.6465 - 13.6595	7.7980 - 7.8000
Iran	123.25*	69.10*
Korea(Sth)	1178.95 - 1188.45	671.00 - 676.40
Kuwait	0.50325 - 0.50440	0.28750 - 0.28780
Luxembourg	67.10 - 67.20	38.25 - 38.35
Malaysia	4.7735 - 4.7850	2.7290 - 2.7310
Mexico	4063.50 - 4100.15	2320.00 - 2340.00
N. Zealand	2.8025 - 2.8075	1.5975 - 1.6000
Saudi Ar.	6.5630 - 6.5730	3.7500 - 3.7510
Singapore	3.3745 - 3.3800	1.9270 - 1.9290
S. Af (Cm)	4.3455 - 4.3570	2.4850 - 2.4880
S. Af (Fn)	6.8265 - 6.9620	3.8985 - 3.9760
Taiwan	48.60 - 48.85	27.65 - 27.73
U.A.E.	6.4265 - 6.4380	3.6725 - 3.6735

*Selling rate

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.7530	1.7488	1.7411	1.7311	1.7171
D-mark	3.1950	3.1786	3.1487	3.1056	3.0326
French Fr.	10.890	10.861	10.806	10.728	10.602
Swiss Fr.	2.7275	2.7117	2.6823	2.6392	2.5651
Yen	221.25	219.72	216.83	212.68	205.56

POUND SPOT- FORWARD AGAINST THE POUND

Feb.24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7490 - 1.7595	1.7525 - 1.7535	0.44-0.41cpm	2.91	1.22-1.17pm	2.73
Canada	2.0970 - 2.1060	2.0980 - 2.0990	0.30-0.17cpm	1.34	0.58-0.39pm	0.92
Netherlands	3.60¼ - 3.63	3.60¼ - 3.61¼	1¼-1⅛cpm	5.61	5¼-5⅛pm	6.03
Belgium	67.00 - 67.45	67.10 - 67.20	35-20cpm	4.91	90-65pm	4.62
Denmark	12.45½ - 12.51¼	12.45½ - 12.46½	5¼-4¼orepm	4.82	14¼-14¼pm	4.65
Ireland	1.1975 - 1.2050	1.1995 - 1.2005	0.54-0.49pm	5.15	1.55-1.45pm	5.00
W. Germany	3.19¼ - 3.21¼	3.19¼ - 3.19¾	1¾-1⅝pfpm	6.34	4⅞-4¾pm	6.03
Portugal	263.70 - 265.40	264.15 - 265.15	30pm-15cdis	0.34	80pm-15dis	0.49
Spain	200.40 - 202.10	200.70 - 201.00	15-cpm	0.45	5-15dis	-0.20
Italy	2357½ - 2367½	2358½ - 2359½	5-par lirepm	1.27	7-par pm	0.59
Norway	11.69¾ - 11.74¾	11.69¾ - 11.70¾	1¾-1¼orepm	1.41	5¼-4¾pm	1.71
France	10.87¾ - 10.96	10.88½ - 10.89½	3¼-2¾cpm	3.31	9¾-8¾pm	3.89
Sweden	10.99½ - 11.04¼	10.99½ - 11.00½	1⅜-1⅛orepm	1.36	5¼-4⅞pm	1.84
Japan	220⅛ - 222½	220⅞ - 221⅞	1⅞-1½ypm	8.47	4⅞-4½pm	8.25
Austria	22.46 - 22.56	22.47 - 22.50	11¾-11gropm	6.10	36¼-34¼pm	6.31
Switzerland	2.72¼ - 2.73¼	2.72¼ - 2.73¼	1⅝-1½cpm	6.87	4¾-4⅝pm	6.87

Belgian rate is convertible francs. Financial franc 67.35-67.45. Six-month forward dollar 2.22-2.17cpm 12 months 3.62-3.57cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb.24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7490 - 1.7595	1.7525 - 1.7535	0.44-0.41cpm	2.91	1.22-1.17pm	2.73
Ireland†	1.4555 - 1.4625	1.4600 - 1.4610	0.30-0.35cdis	-2.67	0.73-0.83dis	-2.14
Canada	1.1950 - 1.1995	1.1980 - 1.1990	0.15-0.18cdis	-1.55	0.51-0.58dis	-1.82
Netherlands	2.0545 - 2.0665	2.0570 - 2.0580	0.50-0.47cpm	2.82	1.49-1.44pm	2.84
Belgium	38.15 - 38.40	38.25 - 38.35	7.00-4.00cpm	1.72	20.00-12.00pm	1.67
Denmark	7.09¾ - 7.13¾	7.10½ - 7.11	1.10-0.85orepm	1.64	3.05-2.75pm	1.63
W. Germany	1.8185 - 1.8305	1.8225 - 1.8235	0.50-0.49pfpm	3.25	1.43-1.39pm	3.09
Portugal	150¾ - 151	150¾ - 151	25-45cdis	-2.79	70-120dis	-2.52
Spain	114.20 - 114.95	114.35 - 114.45	23-28cdis	-2.67	81-88dis	-2.95
Italy	1342 - 1349½	1345¾ - 1346¾	2.00-3.50liredis	-2.45	7.00-9.00dis	-2.38
Norway	6.66½ - 6.69	6.67 - 6.67½	0.75-1.00oredis	-1.57	2.05-2.35dis	-1.32
France	6.20¼ - 6.24	6.21 - 6.21½	0.22-0.12cpm	0.33	0.65-0.55pm	0.37
Sweden	6.26½ - 6.29	6.27¼ - 6.27¾	0.80-1.00oredis	-1.72	1.80-2.10dis	-1.24
Japan	126.00 - 126.73	126.20 - 126.30	0.58-0.56ypm	5.41	1.69-1.66pm	5.30
Austria	12.82½ - 12.86¾	12.85 - 12.85½	3.50-3.10gropm	3.08	10.90-9.70pm	3.20
Switzerland	1.5510 - 1.5620	1.5560 - 1.5570	0.53-0.50cpm	3.96	1.53-1.49pm	3.87

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.40-38.50.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.24	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6070	+2.71	+0.84	±1.5344
Danish Krone	7.85212	8.10603	+3.23	+1.36	±1.5404
German D-Mark	2.05853	2.07873	+0.90	-0.89	±1.0981
French Franc	6.90403	7.08554	+2.63	+0.76	±1.3674
Dutch Guilder	[illegible]	[illegible]	+1.18	[illegible]	±1.5012
Irish Punt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EURO-CURRENCY INTEREST RATES

Feb.24	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

Feb.24	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LONDON INTERBANK FIXING

[illegible]	[illegible]

MONEY MARKETS

UK rates ease back

UK INTEREST rates relinquished early gains yesterday to finish little changed on the day. Longer term rates were marked up by as much as ⅛ths of a point at the start of trading, in anticipation of a further sterling decline. However, the pound opened on a steady note, and after touching a high of 13⅛-13¼ per cent, the key three-month interbank rate slipped back to 13⅛-13¼ per cent unchanged from Thursday. The one-year rate finished at 13¼-12⅞ per cent after a high of 13⅛-13¼ per cent, and compared with 13¼-13 per cent previously.

Trading volume in the longer periods is relatively low, as investors reflect the uncertain outlook on interest rates by concentrating their attentions at the shorter end. Weekend money traded at 11¾-10¾ per cent for most of the day but rose sharply towards the close, touching a high of 14 per cent.

The Bank of England forecast a flat credit position. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together will repayment of late assistance draining £303m. There was also a rise in the note circulation of £375m, and banks brought forward balances £60m below target. These were offset by Exchequer transactions which added £730m.

MONEY RATES

[illegible]	[illegible]

LONDON MONEY RATES

Feb.24	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE LONG GILT FUTURES OPTIONS / LIFFE US TREASURY BOND FUTURES OPTIONS / LIFFE FT-SE INDEX FUTURES OPTIONS / LIFFE £/$ OPTIONS / LIFFE EURODOLLAR OPTIONS / LIFFE SHORT STERLING / PHILADELPHIA SE £/$ OPTIONS / LONDON SE £/$ OPTIONS

[illegible]	[illegible]

LONDON (LIFFE) / CHICAGO

[illegible]	[illegible]

THREE MONTH EURODOLLAR
£1m points of 100%

	Close	High	Low	Prev.
Mar	89.73	89.86	89.70	89.95
Jun	89.42	89.57	89.39	89.69
Sep	89.42	89.59	89.40	89.69
Dec	89.47	89.62	89.43	89.69

Est. Vol. (inc. figs. not shown) 15975 (9804)
Previous day's open int. 55306 (54798)

6% NOTIONAL GERMAN GOVT. BOND
DM 250,000 100ths of 100%

	Close	High	Low	Prev.
Mar	93.21	93.50	93.17	93.45
Jun	92.41	92.72	92.35	92.64
Sep	91.90	92.07	92.02	92.14

Estimated Volume 17009 (25480)
Previous day's open int. 27902 (28450)

FT GUIDE TO WORLD CURRENCIES
Every Tuesday in the FT

LONDON TRADED OPTIONS

LAND SECURITIES, which showed a marginal rise on the underlying market of 3p to 563p, caught attention on the traded options market yesterday – against a background of generally quiet conditions. Even so, British Gas showed the heaviest trading, and there was a strong late run from Racal.

The Land Securities business came to 2,038 contracts, comprised of 1,265 calls and 773 puts. The most active series in it were the July 600 calls and the September 550 puts, the first attracting some 600 contracts and the second 750. There was selling reported from one or more sources of both of these series – suggesting that those involved were looking to retain at least a good proportion of the premium taken in on the sales.

Heavy trading towards the end of the day was seen in certain stocks, however, with Racal, in particular – a gainer by 6p to 356p on the straight equity basis – attracting 2,539 contracts in total, made up of 1,488 calls and 1,051 puts. British Gas found business of 3,578 contracts, weighted towards the put side, which covered 3,016 contracts, compared with 560 on the call. The September 180 puts alone attracted some 1,000 contracts.

The end of the Stock Exchange account meant that individual stocks could not be exercised on the options market, though with substantial ex-dividend moves on Monday, there was appreciable exercising on Thursday, according to figures released yesterday.

Dealers also reported appreciable exercising yesterday in the FT-SE 100 Index contract, which expires on Tuesday. The upward drift in interest rates in the US and elsewhere coloured dealings, as did foreign exchange rate uncertainties. An upward drag on the index from the London International Financial Futures Exchange, however, helped it to close 2.8 points up on the day at 2,018.5. First counts showed Index trading in options of 7,529 contracts, and a market total of 32,031.

Option		Calls Apr	Calls Jly	Calls Oct	Puts Apr	Puts Jly	Puts Oct
Alld Lyons (*472)	460	27	42	56	8	19	22
	500	10	23	35	32	39	43
Brit. Airways (*188)	160	33	37	42	2	4½	5
	180	17	22	28	5	11	12
	200	6	12	16	14	20	22
Brit Com (*227)	200	33	38	-	1½	3	-
	220	18	25	30	5	11	12
	240	7	12	21	17	22	23
Ultramar (*302)	294	24	-	-	14	-	-
	300	-	38	44	-	25	32
	330	9	27	36	42	46	50
Woolworth (*267)	240	34	39	-	2½	6	-
	260	18	27	38	8	13	16
	280	9	17	26	19	24	29
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Barclays (*444)	420	31	37	45	6	10	17
	460	6	16	23	30	35	40
Blue Circle (*526)	460	72	76	92	2	9	13
	500	38	46	62	7	19	24
	550	10	22	36	32	44	50
British Gas (*169)	160	12	19	20	1	3½	5½
	180	2	6¾	9	11½	12	14½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WORLD STOCK MARKETS

NEW YORK (Closing)

[illegible]

CANADA (Closing)

[illegible]

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

AUSTRALIA

[illegible]

SINGAPORE

[illegible]

JAPAN

[illegible]

INDICES

NEW YORK — DOW JONES

	Feb 23	Feb 22	Feb 21	Feb 17	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
◆Industrials	2289.46	2283.93	2326.43	2324.82	2347.14 (7/2/89)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.27	88.28	88.48	88.83	91.25 (3/3/88)	86.12 (4/1/88)	–	–
Transport	1078.10	1069.21	1082.15	1082.79	1087.97 (7/2/89)	737.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	184.51	183.62	185.51	186.46	191.15 (24/1/89)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2295.71 (2327.50) Low 2266.96 (2276.43)

STANDARD AND POOR'S

	Feb 23	Feb 22	Feb 21	Feb 17	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite ‡	292.05	290.91	295.98	296.76	299.63 (7/2/89)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	337.10	335.80	342.07	342.66	346.41 (7/2/89)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	26.49	26.42	26.91	27.14	27.24 (7/2/89)	21.51 (8/1/88)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	164.09	163.55	166.06	166.45	168.02 (7/2/89)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	323.23	321.88	324.86	325.95	327.23 (8/2/89)	262.76 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp.	403.07	402.49	406.38	407.19	409.19 (7/2/89)	331.97 (12/1/88)	455.28 (26/8/87)	54.87 (31/10/72)

	Feb 10	Feb 3	Jan 27	year ago (approx.)
Dow Industrial Div. Yield	3.63	3.45	3.46	3.48
	Feb 22	Feb 15	Feb 8	year ago (approx.)
S & P Industrial div. yield	3.18	3.13	3.05	2.99
S & P Indl. P/E ratio	13.48	13.63	13.85	14.92

TRADING ACTIVITY †Volume

Millions	Feb 23	Feb 22	Feb 21
New York	150.370	163.140	141.950
Amex	11.720	10.118	11.720
OTC	116.856	129.516	115.234

NEW YORK	Feb 23	Feb 22	Feb 21
Issues Traded	1,925	1,961	1,970
Rises	738	321	598
Falls	684	1,196	880
Unchanged	501	444	492
New Highs	24	18	48
New Lows	22	12	18

CANADA — TORONTO

	Feb 23	Feb 22	Feb 21	Feb 20	1988/89 High	1988/89 Low
Metals & Minerals	3424.3	3426.9	3456.3	3425.3	3564.9 (6/2/89)	2238.7 (8/2/88)
Composite	3588.4	3584.1	3608.3	3599.1	3696.1 (8/2/89)	2977.9 (8/2/88)
MONTREAL Portfolio	1776.27	1776.27	1791.42	1787.31	1850.44 (8/2/89)	1305.06 (27/1/88)

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Aristech	2,309,000	38⅛	+ 6¼	IBM	1,563,200	123½	---
Burlington	2,226,600	49⅝	+ 1¼	AT&T	1,531,400	30½	---
Texas Util	2,110,800	28¾	+ ⅛	Pan Am	1,361,300	4	+ ⅛
Texaco	1,911,300	51	+ 1⅛	Syntex	1,334,800	37⅞	+ ⅜
West Point-Pepperell	1,710,100	57⅛	+ 1⅜	K mart	1,290,000	38	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

WORLD INDICES

	Feb. 24	Feb. 23	Feb. 22	Feb. 21	1988/89 High	1988/89 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1486.2	1478.7	1492.9	1481.4	1657.8 (9/8/88)	1170.7 (10/2/88)
All Mining (1/1/80)	696.2	680.8	689.7	677.5	847.8 (9/8/88)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	248.59	247.21	247.21	244.00	248.59 (24/2/89)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/84)	5679.29	5698.47	5765.02	5754.93	5834.01 (10/2/89)	3608.35 (4/1/88)
DENMARK						
Copenhagen SE (3/1/83)	282.11	283.52	287.78	288.24	291.83 (10/2/89)	180.68 (4/1/88)
FINLAND						
Unitas General (1975)	779.7	778.9	780.8	782.1	784.2 (20/2/89)	530.6 (15/1/88)
FRANCE						
CAC General (31/12/82)	430.9	431.7	445.9	445.0	457.1 (3/2/89)	251.3 (29/1/88)
Ind. Tendance (30/12/88)	100.2	100.6	103.7	104.2	108.1 (3/2/89)	100.0 (1/1/89)
GERMANY						
FAZ Aktien (31/12/58)	541.96	537.44	547.66	553.80	569.27 (8/2/89)	396.40 (29/1/88)
Commerzbank (1/12/53)	1614.5	1602.5	1632.1	1650.7	1705.6 (5/1/89)	1207.9 (29/1/88)
DAX (30/12/87)	1288.04	1271.70	1292.17	1307.52	1371.10 (5/1/89)	931.18 (28/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	3114.23	3125.20	3161.56	3150.64	3209.96 (9/2/89)	2223.56 (8/2/88)
ITALY						
Banca Com. Ital. (1972)	586.40	593.97	592.71	591.43	615.89 (17/1/89)	423.91 (9/2/88)
JAPAN						
Nikkei (16/5/49)	(c)	32452.49	32311.93	31980.0	32452.49 (23/2/89)	21217.04 (4/1/88)
Tokyo SE (Topix) (4/1/68)	(c)	2487.24	2472.04	2452.91	2490.07 (8/2/89)	1690.44 (4/1/88)
NETHERLANDS						
ANP-CBS General (1970)	302.8	301.9	306.4	308.2	310.7 (8/2/89)	205.7 (4/1/88)
ANP-CBS Industrial (1970)	263.2	263.3	266.8	268.2	272.7 (8/2/89)	157.9 (11/1/88)
NORWAY						
Oslo SE (4/1/83)	560.16	564.51	570.52	568.27	570.52 (22/2/89)	327.78 (28/1/88)
SINGAPORE						
Straits Times Ind. (30/12/66)	1135.31	1134.42	1138.75	1131.53	1177.87 (8/8/88)	833.60 (4/1/88)
SOUTH AFRICA						
JSE Gold (28/9/78)	1402.0‡	1374.0	1357.0	1315.0	1451.0 (7/7/88)	1154.0 (4/5/88)
JSE Industrial (28/9/78)	2252.0‡	2254.0	2253.0	2235.0	2254.0 (23/2/89)	1387.0 (12/2/88)
SPAIN						
Madrid SE (30/12/85)	272.54	273.36	274.16	272.67	301.63 (15/6/88)	225.50 (4/1/88)
SWEDEN						
Jacobson & P. (31/12/56)	3639.2	3705.8	3730.0	3699.8	3730.0 (22/2/89)	2148.5 (4/1/88)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	644.3	643.8	652.1	650.9	652.1 (22/2/89)	466.6 (13/1/88)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	516.1	513.7	514.0	519.0 (19/2/89)	401.0 (21/1/88)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

WORLD STOCK MARKETS

AMERICA

Dow plunges on Fed Reserve move

Wall Street

HAMMERED by higher interest rates, Wall Street stocks fell sharply yesterday extending the steep slide that began in mid-week, *writes Roderick Oram from New York.*

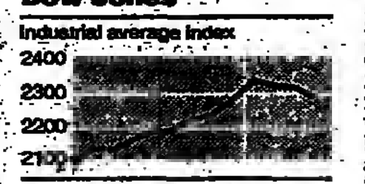
The latest decline was triggered by the Federal Reserve Board's increase in the Fed Funds rate on Thursday and the discount rate yesterday. More banks joined the move to raise their prime lending rates by half a perecentage point to 11.5 per cent, initiated by Chase Manhattan late on Thursday to reflect the higher cost of funds.

The discount rate increase to 7 per cent was widely expected although tha markets had thought the Fed would have raised it a full point not just half. The increase had little more than symbolic value since the Fed Funds rate has overtaken it as Fed's key tool for guiding interest rates.

Stocks and bonds fell in response to the higher rates, though the dollar also fell indicating the foreign

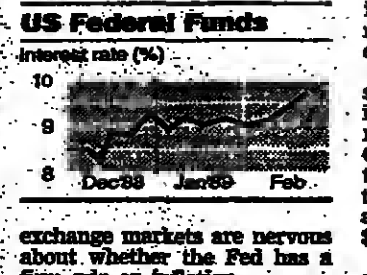
Dow Jones

Industrial average index



US Federal Funds

Interest rate (%)



exchange markets are nervous about whether the Fed has a firm grip on inflation.

At 2pm the Dow Jones Industrial Average was off 32.14 at 2,257.32, close to its morning lows. Broader market indices followed a similar trend. New York Stock Exchange volume was moderataly heavy at around 120m shares by early afternoon.

The decline extended to more than 60 points the ground the Dow has lost this week, fully one-third of the gains it had made since the beginning of the year. Analysts say the markets have undergone a major change in psychology this week with investors becoming vary concerned about inflation and increasingly doubtful the Fed is responding energetically enough to it.

Interest rate sensitive stocks such as banks and insurers fell in the wake of higher interest rates. Citicorp lost $¼ to $25⅝, Chase Manhattan gave up $⅝ to $31⅝, BankAmerica lost $⅛ to $20⅝, Aetna lost $¾ to $49⅝ and CIGNA gave up $⅝ to $52⅝.

Emhart jumped $7⅛ to $39⅞ and was the most active NYSE issue. The diversified group which makes building hardware, machinery and other products, received a $35 a share $2.18bn takeover offer from a limited partnership formed by the Fisher real estate family and Mr Gordon Getty. Analysts are expecting a fight, valuing the group at closer to $45-$47 a share.

West Point-Pepperell slipped $⅛ to $57½. The market believes it highly unlikely anybody wil mount a counter-bid to the $58 a share offer the textiles manufacturer accepted on Thursday from Mr William Farley, the Chicago industrialist, ending a four-month fight to remain independent.

New World Entertainment rose $⅝ to $5⅝. The film producer and distributor agreed to a package of cash and notes worth $8.20 a share from Pathe Entertainment.

Canada

FALLING base metal and industrial issues cancelled out gains by gold shares. The composite index dropped 25.5 to 3,562.9 in light turnover of 12.9m.

SOUTH AFRICA

MINING shares benefited from the stronger bullion price in Johannesburg, but trading overall remained cautious.

EUROPE

Interest rate fears prove pervasive

NEWS of the US discount rate increase unsettled Paris and Amsterdam but came too late for most of Europe, where domestic preoccupations hit trading, *writes Our Markets Staff.*

PARIS dropped from the day's highs after news of the Fed's rate rise, and finished mixed in low turnover.

The interest rate cloud overshadowed positive figures on the trade deficit released in morning trading, and the CAC 40 index fell from the day's high of 1,593.62 to end 7.45 lower at 1,574.17. The OMF 50 index ended with a gain of 1.13 at 445.66, having been up 5.73.

Individual stocks held up well, however, with Peugeot up FFr2 at FFr1,607 and Valeo FFr25 higher at FFr668. The *biggest gain came from* Fromageries Bel, up FFr99, or 6.2 per cent, at FFr1,700.

One salesman said people were either very optimistic or pessimistic about the market. "There's either excessive buying or excessive selling. It's an excessive market."

Monday's inflation figures are the next stumbling block. Forecasts range between 0.3 per cent and 0.6 per cent. Monday also sees the return of fund managers after a week's vacation, and volumes are expected to pick up.

AMSTERDAM was knocked by the half point rise in the US discount rate and closed only slightly higher after making solid gains earlier on a stronger dollar. The CBS tendency index was up 0.3 at 163.8 after reaching 164.3.

Philips put on a further 10 cents to Fl 36.50 after its 20-cent gain on Thursday following its higher 1988 profits. Fokker added 30 cents to Fl 33.20, saying it would announce a new aircraft order on Monday.

MILAN was again hit by inflation fears and political uncertainty and the Comit index fell 7.57 to 586.40 to end the week virtually unchanged. Volume was still fairly thin, around recent levels of L100bn.

Economic jitters were compounded by a suggestion from Health Minister Mr Carlo Donat Cattin, who is also a senior Christian Democrat, that government bond redemp*tions should* be *frozen for* two years to tackle the budget deficit. There was also a press report, denied by political sources, that Mr Giuliano Amato, the Treasury Minister, was considering resigning.

Speculation drove two banking stocks sharply higher against tha trend. Banca Nazionale dell'Agricoltura rose L400 to L12,100 amid continued speculation that recapitalisation of the bank would necessitate an outside bank taking a sizeable stake and participating in the management.

Interbanca, in which BNA holds a majority stake, rose L6,500 to L35,000 and was suspended for a second day amid talk that a large stake held by Mr Francesco Micheli's Finarte might be up for sale.

FRANKFURT recovered some ground after two days of steep losses but volume sank back to a thin DM2.38bn and tha npward bounce was described by traders as largely technical. The FAZ index rose 4.52 to 541.96 and the DAX added 16.34 to 1,288.04.

Some bargain-hunting was seen in blue chips, and Wall Street's steadiness on Thursday night provided comfort. But other investors were selling on any signs of strength, with worries over inflation and interest rates still present, especially after Thursday's round of US prime rate rises. Yesterday's discount rate rise came after the market.

Energy group RWE *shed* DM6.50 to DM239 after going ex a DM8 dividend and giving a bullish outlook on Thursday. Motor gronp Daimler gained DM6 to DM653.50 after a Reuter interview with the chief executive in which he said the low *rating of the shares* was not justified by the expected decline in earnings.

MADRID reacted negatively to Thursday's late news that the Government had dropped its inflation rate target of 3 per cent for this year.

The Government said monetary and fiscal policy would be directed toward keeping this year's inflation below the 5.8 per cent rate of last year, and would be used to ensure that the inflation differential with the EC did not increase.

The suspension of trading in Banesto and Banco Central also hit trading. The general index lost 0.82 to 272.54.

ZURICH allowed interest rates to overshadow good corporate news after the big four Swiss banks announced higher short-term rates in morning trading. The Crédit Suisse index fell 1.1 to 546.6.

Ciba-Geigy bearers rose SFr60 to SFr3,154 after Thursday's news of 20 per cent higher profits and an increased dividend. There was some disappointmant, however, that there was announcement on the possible opening of its registered shares to foreigners.

UBS lost SFr15 to SFr3,060 *after reporting record profits*, largely in line with forecasts.

STOCKHOLM recouped some of its early losses but still ended lower in response to rising credit yields. The Affärsvärlden index slipped 2 to 1,085.4.

Saab-Scania, the car and aircraft maker, saw its free B shares close SKr1 higher at SKr210, with news of worse-than-expected annual results coming in just before the close.

BRUSSELS saw some speculative activity but ended lower with the cash index off 19.18 at 5,679.29. Metals group Hoboken rose BFr325 to BFr14,950 and arms maker FN jumped 4.7 per cent to BFr632, up BFr28.

ASIA PACIFIC

Trading fluctuates in absence of Tokyo

INTEREST rate worries dogged the Asia Pacific markets yet again, leading to erratic trading and generally firmer share prices. Tokyo was closed for the Emperor's funeral.

HONG KONG managed to recoup much of the day's losses, after a volatile session that was characterised by concern over possible interest rate increases. The Hang Seng index closed 11.03 higher at 3,114.23, having been below 3,100 at one stage.

The index dropped 10.47 points in the final 30 minutes of trade amid worries that the domestic prime rate would be raised at the Hong Kong Bank Association's weekly afternoon meeting. Turnover eased to HK$1.46bn from Thursday's HK$1.59bn.

Tai Cheung Properties rose 12½ cents to HK$5.10 on rumours it had sold its stake in the Sheraton Hotel. Hutchison, which has a Sheraton stake, was unchanged at HK$10.90.

AUSTRALIA managed to hold up in spite of afternoon selling as interest in gold and resources stocks underpinned the market. The All Ordinaries index closed 7.5 higher at 1,486.2 in reasonably active trading of 97m shares worth A$215m, with the exercise of options accounting for a large part of it.

Industrials were generally lacklustre, although BTR Nylex rose 8 cents to A$9.20 after its strong results on Thursday.

Lend Lease and Brambles both eased 10 cents to A$10 and A$10.90 respectively after their interims.

Many stocks reached their highs for the day in the first hour of trading. In resources, Western Mining climbed to $5.14 before easing to close 6 cents higher at A$5.08, as shares worth A$12.4m changed hands.

SINGAPORE oscillated throughout the session, finishing little changed in active trading. The Straits Times industrial index closed 0.79 higher at 1,135.31 and volumes rose to 64.3m shares from 61.7m on Thursday, aided by Wall Street's overnight rise.

Profit-taking alternated with bargain-hunting, but the overriding sentiment was one of caution because of the possibility of interest rate rises.

Buying focused on selected warrants, and stocks in the hotel, property and plantation sectors. Hotel Properties warrants were active with 6.9m units traded, closing 5 cents firmer at 40½ cents.

TAIWAN rose to its highest level this year on news that the Cabinet had approved a proposal to allow foreign insurance companies with branches in Taiwan to invest directly in the country's stocks. The weighted index rose 68.34 to 6,851.29.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY FEBRUARY 23 1989					WEDNESDAY FEBRUARY 22 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	139.06	+0.9	117.14	111.33	4.83	137.86	116.69	112.28	137.12	91.16	98.36
Austria (18)	100.61	+1.2	84.75	95.17	2.59	99.45	84.18	95.05	100.74	83.72	86.76
Belgium (63)	134.31	-0.4	113.14	127.02	4.06	134.84	114.14	128.69	139.89	99.14	122.48
Canada (125)	132.62	+0.0	111.71	114.80	3.33	132.62	112.26	114.81	137.27	107.06	115.51
Denmark (39)	171.93	-0.9	144.83	165.56	1.78	173.56	146.92	168.55	180.38	111.42	117.42
Finland (26)	146.70	+0.9	123.57	131.30	1.37	145.32	123.01	130.53	147.07	106.78	114.35
France (130)	114.45	-1.9	96.41	111.62	2.91	116.62	98.72	114.43	119.98	72.77	88.72
West Germany (102)	83.59	-0.7	70.41	79.20	2.37	84.16	71.24	80.31	90.40	67.78	77.88
Hong Kong (44)	131.38	-1.0	110.67	131.56	3.63	132.74	112.36	132.93	133.77	84.90	90.18
Ireland (17)	146.46	+1.0	123.38	140.78	3.65	145.07	122.79	140.92	146.46	104.60	114.46
Italy (98)	82.67	+0.9	69.64	82.73	2.44	81.90	69.33	82.48	86.88	62.99	73.26
Japan (456)	200.11	+1.0	168.57	159.63	0.47	198.12	167.70	158.48	200.11	133.61	160.29
Malaysia (36)	159.79	+0.1	134.60	167.85	2.55	159.63	135.12	167.83	159.79	107.83	113.22
Mexico (13)	158.29	-0.7	133.34	405.85	1.26	159.33	134.87	405.90	182.24	90.07	146.94
Netherland (39)	114.19	-0.2	96.19	107.13	4.63	114.41	96.85	108.22	115.04	95.23	102.75
New Zealand (24)	72.15	+2.0	60.77	61.12	6.33	70.75	59.88	61.21	84.05	63.32	66.14
Norway (26)	167.73	-1.6	141.29	151.79	2.07	170.45	144.28	154.60	170.76	98.55	111.57
Singapore (26)	143.58	+1.1	120.95	127.44	2.09	142.05	120.24	126.08	143.62	97.32	103.97
South Africa (60)	128.93	-0.7	108.61	111.61	4.24	129.90	109.96	111.36	139.07	98.26	127.95
Spain (42)	145.34	+0.6	122.43	125.85	3.83	144.48	122.30	125.98	164.47	130.73	135.60
Sweden (35)	154.44	-0.2	130.09	143.41	2.16	154.80	131.03	144.20	154.80	96.92	108.96
Switzerland (57)	76.96	-0.4	64.83	74.03	2.31	77.26	65.40	75.04	86.75	74.13	82.98
United Kingdom (314)	148.47	-0.3	125.07	125.07	4.38	148.87	126.02	126.02	152.54	120.66	130.13
USA (568)	118.92	+0.3	100.17	118.92	3.63	118.54	100.34	118.54	121.90	99.19	106.75
Europe (1006)	118.57	-0.4	99.88	106.77	3.59	119.03	100.76	107.84	120.88	97.01	104.48
Nordic (126)	153.07	-0.5	128.94	138.65	1.93	153.81	130.20	140.01	153.81	98.11	107.33
Pacific Basin (675)	194.72	+1.0	164.03	156.21	0.67	192.85	163.24	155.20	194.72	130.81	155.13
Euro-Pacific (1681)	164.22	+0.6	138.34	136.62	1.53	163.30	138.23	136.40	164.22	120.36	134.88
North America (693)	119.64	+0.3	100.78	118.69	3.61	119.28	100.97	118.33	122.71	99.78	107.21
Europe Ex. UK (692)	100.10	-0.5	84.32	95.42	2.92	100.60	85.15	96.57	103.11	80.28	88.53
Pacific Ex. Japan (219)	130.25	+0.3	109.72	112.99	4.28	129.87	109.93	113.80	137.65	87.51	92.89
World Ex. US (1879)	162.77	+0.5	137.11	135.77	1.60	161.90	137.04	135.56	162.77	120.26	134.16
World Ex. UK (2133)	145.69	+0.5	122.73	130.60	1.98	144.90	122.65	130.20	146.04	111.77	122.92
World Ex. So. Af. (2387)	146.03	+0.5	123.01	130.19	2.19	145.33	123.02	129.92	146.65	113.26	123.52
World Ex. Japan (1991)	119.82	+0.0	100.93	114.45	3.64	119.78	101.39	114.70	122.37	100.00	105.93
The World Index (2447)	145.92	+0.5	122.92	130.07	2.20	145.24	122.94	129.80	146.51	113.37	123.55

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Latest prices were unavailable for this edition.

Standing aloof from government becomes all the rage in Madrid

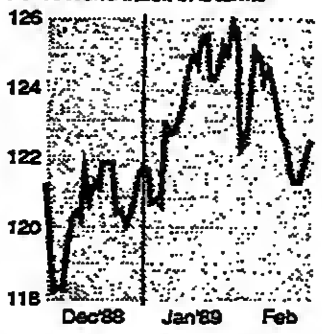
The market has so far survived weighty blows, writes **Peter Bruce**

MADRID will not have been the first stock market to prove that bad economic news often does not matter. Fashion counts more, and the trendy thing now in Madrid is to assume, airily, that government does not matter and that industry has enough money in its pockets practically to ignore credit squeezes, rising inflation and higher interest rates.

For the moment, the conventional wisdom is working. Twice this year the market has

Spain

FT-A World Index in £ terms



been hit by what could have been weighty blows. The Madrid General index, however, has dealt with them both with aplomb, falling less than 2 points to 273.36 since the beginning of the year, though, on occasion, it has bettered 280.

On January 31 the Government, terrified that its outrageously *optimistic* 3 *per* cent inflation forecast for the year was slipping away, and by signs that private credit had grown 22 per cent in the month, imposed a tough new credit regime.

Banks would have to raise *the proportion of their deposits* lodged with the Central Bank, taking Pta400bn ($3.5bn) out of circulation. And in an attempt to stop people borrowing abroad at lower interest rates, it forced foreign currency borrowers to lodge 30 per cent of their loans with the Bank of Spain while continuing to pay interest on the whole loan.

The Bank sat back to wait for the uproar but it never came; the stock market fell 1.5 per cent on the day the news was released but rose the following session on the belief that the panic was overdone.

Then earlier this week, January inflation figures showed a 1 per cent rise in the Consumer Price Index, virtually destroying any chance of holding inflation to 3 per cent for the year. Prices actually rose a tonch after hours, although the wait for the figures had taken its toll, with a 2 per cent drop in the previous week.

Spain, for the moment anyway, is showing its strengths. Companies *are* flush with cash and the banks, wallowing in money as well, have been very cautious about raising their interest rates. Spanish companies also raised close to $10bn in the markets last year and, says Mr Ignacio Gomez Montejo, bead of research at F&G Inversiones Bursatiles, "except for the electricals (ntilities) there really is no need for more cash this year and it seems there will be much less movement in the markets."

That will suit the Madrid market just fine. On June 29 it and the other three Spanisb bourses finally enter the space age and bid farewell to the *agentes* (stockbrokers), wbo have hitherto ruled the markets as a personal fief. Not that they will disappear – most have registered as broking or dealing companies – but their stranglebold over commissions is almost over. Computerised continuous trading in some shares may start earlier.

The point is that the markets are on the brink of a Big Bang probably more profound than London's. Tbe leapfrogging from a Napoleonic trading and settlements system into high-tech market*ing is going to take getting* used to and will probably be easier for a little tranquility.

The only technical burdle the change-over will have to deal with will happen before July 29 – the giant part-privatisation of Repsol, the state-owned energy conglomerate, on May 11. The flotation of between 20 per cent and 30 per cent of Repsol (some analysts expect 100m shares at about Pta6,000 eacb) could eqnal about 10 per cent of the total new money raised in tha market in the whole of last year, and take a lot of absorbing.

Any other disruptive activity, suggests Mr Gomez Montejo, will probably be limited to the foods sector, wbere mergers are possible. Engineering group CAF, which has won an important subcontracting role in the building of high speed trains for the national railway, may also find itself courted.

A *rumoured bid for CAF* by Siemens a few weeks ago did not materialise bnt tbe logic of such a move remains strong; Siemens won a large part of Spain's biggest ever locomotive order in December bnt the *manufacturing* was awarded to Alsthom of France.

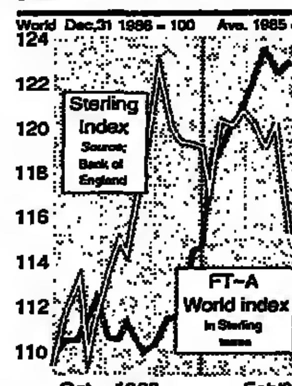
The last great anomaly in the markets also seems to have died yesterday. The tortuous efforts to merge Banco Central and Banesto are at an end and so too is the absurdity of the *two banks trying to maintain* exactly equal share prices. The affair has highlighted a disease in Spanish banking – the *autocartera*, or the buying by banks of their own stock.

Keeping up with Banco Central has forced Banesto to *spend a fortune supporting its* shares and it is now rumoured to own about 8 per cent of itself. But everyone – except, perhaps, Banco Popular – does it. "It is problem number two with Spanish banks," says an analyst – the other one being *the banks' huge overheads*.

The big banks know that their only attraction for investors is their (transitory) quasi-monopoly in retail banking. That brings the circle back to the economy. Brokers were dismissive after the January inflation figures were announced. After all, was it uot the case that inflation was rising in most of Spain's western European trading partners?

The Government can do little more with energy prices. Oil imports are cheap and Madrid cut the price of fuel last year. Food prices, especially fish, have been tha main culprit for the past six months, but there is uot mncb room for manoeuvre there either.

The Government brought forward January's 15 per cent tariff cuts last October to cheapen imported foods, but it cannot continue fighting inflation by decree for ever. More dangerous, and a point missed by many people, is that in January the underlying rate of inflation – a CPI measurement less energy and food prices – also rose strongly, from 6.1 per cent to 6.7 per cent. These hidden dangers, plus continuing strong credit demand, are bound to surface later in the year, say economists.



The Government, meanwhile, formally abandoned the 3 *per cent inflation target* on Thursday, saying that because it had been unable to reach a wage deal with the unions, the target no longer mattered. But it will still have to fight to keep prices from rising.

Already, early private *sector wage agreements for this year* are for rises between 6.5 and 7 per cent and the process seems unstoppable, no matter bow often and loudly the Bank of Spain or the Finance Ministry call for moderation. Manufacturers, tbeir domestic and export order books bulging, are settling for quick peace.

At those settlement levels, say analysts, the best the Government can bope for is to repeat last year's inflation rate of 5.8 per cent. A worse case is that the Government will feel itself obliged to strengthen credit measures already in place while continning to ignore the damage high public borrowing is doing to its sums.

But Madrid is unlikely to act hastily.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

Corporation and County Stocks No. of bargains included7

London County2½% Cons Stk 1920(or after) - £24 (20Fe89)
Greater London Council6¾% Stk 90/92 - £86½
Aberdeen (City of)10.60% Red Stk 2011 - £103½ ¾ (17Fe89)
Birmingham Corp3% Stk 1947(or after) - £20 (20Fe89)

UK Public Boards No. of bargains included5

Commonwealth-Government No. of bargains included2

Foreign Stocks, Bonds, etc-(coupons payable in London) No. of bargains included10

Sterling Issues by Overseas Borrowers No. of bargains included35

Banks and Discount Companies No. of bargains included 1254

Australia & New Zealand Banking Gp New $A1(50% Pd&Rkg 50% Div Till 30/9/90) - 140 (21Fe89)
Barclays Bank PLC7¾% Uns Cap Ln Stk 86/91 - £90½
8¼% Uns Cap Ln Stk 86/93 - £90
12% Uns Cap Ln Stk 2010 - £111⅞ ¾ ⅝ ½

Breweries and Distilleries No. of bargains included644

Registered Housing Associations No. of bargains included0

Commercial, Industrial, etc No. of bargains included16818

Financial Trusts, Land, etc No. of bargains included2612

Unit Trusts No. of bargains included42

Mines - Miscellaneous No. of bargains included312

Mines - South African No. of bargains included88

Oil No. of bargains included1407

Property No. of bargains included720

Insurance No. of bargains included546

Investment Trusts No. of bargains included855

Plantations No. of bargains included13

Railways No. of bargains included2

Shipping No. of bargains included355

Utilities No. of bargains included19

Water Works No. of bargains included2

USM Appendix No. of bargains included1135

The Third Market Appendix No. of bargains included125

Rule 535(2) No. of bargains included40

Sun Oil Co(UK) LdOil Royalty Stk Units 1p - £0.47 (22Fe89)
Thwaites(Daniel)& Co PLCOrd 25p - £2.35♦ 2.36♦
Transatlantic Hldgs PLCPfd Ord 50p - £3.2
Wolverhampton Racecourse Co PLCOrd 25p - £4¾ (20Fe89)
Wynnstay Properties PLC25p - 142 (20Fe89)

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Associated Manganese Mines of SA $28 (22/2)
Austmark Int. 6
Aust. Foundation Inv 58♦ (20/2)
Australis Mining 3½♦
Beverly Enterprises $8♦ (17/2)
Boral £1.48
Brush Wellman £15.9♦16 (21/2)
Cape Range Oil 3♦ (20/2)
Conex Aust 1,2 (20/2)
Cultus Resources 13♦ (20/2)
Equity Silver Mines 195 (20/2)
Great Eastern Mines A$0.05 (21/2)
Greenvale Mining 7½ (20/2)
Haoma North West 1½ (20/2)
Hexcel Corp $34½ (22/2)
Highveld Steel & Vanadium R11.7,11.75,11.85 (22/2)
Horizon Pacific A$0.051 (21/2)
Invincible Gold NL Ord A$0.09♦ (20/2)
Kern Corp 82♦ (21/2)
Killinghall Tin (Malaysia) Berhad Ord M$3.1♦ (20/2)
Kulim Malaysia Ord 32,33½
Lee Hing Development 14♦½♦ HK$2.4♦ (22/2)
Malaysian Plantations 38 (22/2)
McCarthy Group 150♦ R10.9 (21/2)
Metramar Minerals £2
National Electronics (Consolidated) 3,4½ (22/2)
Nixdorf Computers £99
Oil Search 33♦
Overseas Chinese Banking Corp £2.42696♦ S$8.74082
Petroleum Securities Aust 13½♦ (17/2)
Regal Hotels (hldgs) 12 (21/2)
Regent Mining 4 (20/2)
Sensormatic Electronics 605 (21/2)
Singapore Land S$8.92385 (22/2)
Sky Line Explortn 462½ (20/2)
Southwest Gold mines 2♦
Stirling Petroleum ⅛ (17/2)
Target Resources 14 (17/2)
Terramar Resources 8 (17/2)
United Overseas Land S$1.79984 (22/2)
Westfield Minerals 90♦

By Permission of the Stock Exchange Council

LONDON STOCK EXCHANGE

Equity recovery fades in late trading

THE INCREASE in US Federal discount rate, although widely foreseen in London, halted a technical recovery in the UK equity market yesterday. Early gains in the blue chip equities ware largely eliminated towards the close as Wall Street made a poor start to the new session.

Traders sounded far from convinced by the initial attempt at a recovery, and pointed to a host of technical factors. Overnight firmness on Wall Street, which closed before the news of higher prime rates at the major US banks, and a steadier dollar, encouraged a higher opening in London for the final day of the equity Account.

Account Dealing Dates		
*First Dealings:		
Feb 13	Feb 27	Mar 13
Option Declarations:		
Feb 23	Mar 9	Mar 30
Last Dealings:		
Feb 24	Mar 10	Mar 31
Account Day:		
Mar 6	Mar 20	Apr 10

*New time dealings may take place from 9.00 am two business days earlier

The early improvement was helped along when a securities house, reportedly Smith New Court, operated the buy side of a two-way trading programme said to be worth around £90m: the sell side appeared to have been completed on the previous day.

With sterling also better for most of the morning, and the FT-SE futures contract at a good premium, the equity market extended its gain to around 15 points on the FT-SE scale.

There was little strength behind the rally, however, and the market tripped up after lunch when the news of a higher Federal discount rate reached London. The pound lost its shine, the Footsie futures premium was reduced, and a small sell programme of around £10m from a US house found the going less easy. A substantial fall in the majority of the Government candidate at a Yorkshire by-election also dampened enthusiasm.

By the close, the FT-SE Index was only 2.9 higher at 2019.5. *The tone of the market* was subdued at the end, with traders cautious about next week's prospects. Monday morning brings a hefty list of ex-dividend share quotations, which is likely to lower market indices, and also the probable introduction of changes to the Stock Exchange reporting systems; when the changes are in place, price details on equity deals over £100,000 will not be published until the following day.

Over the two-week equity Account, the FT-SE Index has lost 36.6 points as upward pressures on interest rates have reappeared in the US and in Europe, and Mr Lawson, the UK *Chancellor* of the Exchequer, has ruled out early cuts in UK base rates.

City analysts stressed the likelihood of a near term correction in equities hut remained optimistic.

At Warburg Securities, Mr Nick Whitney warned that the market could, "temporarily," move below FT-SE 2,000 hut saw a 20 per cent rise in the rating of the equity market this year. Mr Robin Aspinall at Schroder Securities regarded a correction to "the mid FT/SE 1900s" as valid, but only as a "precursor to another good upmove."

New deal looms at FKI

FKI Babcock surged in frantic trading in response to an announcement from the board that "it is involved in discussions which may lead to a cash offer for a major part of the group."

The boardroom statement continued: "It is estimated that the aggregate value of the disposal and the market capitalisation of the remainder of the group could be equivalent to up to 195p a share." The board also stressed that talks were at, "an early stage," and that a further statement, "should not be expected for several weeks."

Dealers and analysts interpreted the announcement as indicating that the company, frustrated by market conditions from carrying out the intended flotation of its US interests on the New York stockmarket – a move revealed last year and designed to help reward key executives – is selling off these assets.

"Instead of going for a listing they are going for cash, in the form of a leveraged or management buy-out," was the opinion of one analyst.

FKI stock was bid up to 195p at one point, with the shares trading at a backwardation, before sliding back and ending the day 20 higher on balance at 177p; turnover topped 10m.

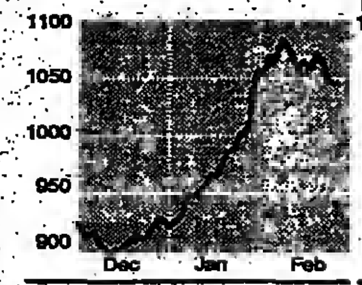
Same treatment

Lloyds Bank became the third of the big-four clearing banks to come out with preliminary profits within the market's range of forecasts and a better-than-expected final dividend. But, as was the case with the first two of the clearers to report, Lloyds shares came under heavy selling pressure to close sharply lower on the session.

Dealers said some analysts were slightly disappointed with with pre-tax figure of £952m, compared with the previous year's pre-provision figure of £818m, but added that the downside in the shares, relative to other banks and the market, was limited. "The 27 per cent dividend increase was the saving grace," said one trader. The shares closed 11 off at 354p, only marginally above the day's low, with turnover of 6.1m, well in excess of the other clearers.

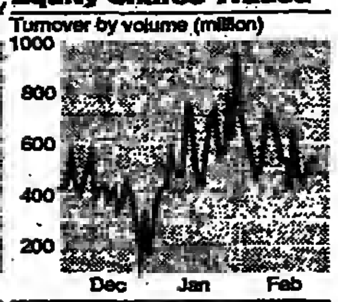
Abbey Life, where Lloyds recently acquired a majority holding, announced preliminary profits a shade higher than the forecast made at the time of the battle for control. Abbey shares, after a turnover of 2.7m, closed 4 higher at 815p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Eastern promise

The possibility that Toyota, the Japanese car manufacturer, might soon set up its first assembly plant in Britain or elsewhere in the EC, continued to stimulate interest in Inchcape, which holds the Toyota franchise in the UK and in three other Continental countries. But a more probable reason for yesterday's rise of 7 in Inchcape shares to 261p was intra-market covering purchases following a large overnight deal.

A parcel of 1.3m shares, said to be part of a programme trade, went through the system and the price of 254p suggested it was a sale. However, the house which the market assumed had handled the business began bidding for stock *the moment dealings* opened. This confused rival traders and touched off a round of book-squaring by marketmakers which found tha price very responsive.

Most researchers of the Overseas Traders sector, although bullish about long-term prospects for Inchcape, have more recently recommended top-slicing the sizeable profits made since the turn of the year. Volume eventually reached 1.1m shares yesterday but the contribution from retail sources was negligible.

The action in the energy sector was concentrated into the morning period when Hoare Govett, the stockbroker, moved into the market and carried *out a number of switches* on behalf of several large UK institutions, involving British Gas and Shell.

Three separate trades of 5m British Gas, at 168p, 168½p and 169p and a single trade of 6.6m Gas at 169p went through the market in a short period of time. Around the same tima four separate deals of 2.5m apiece in Shell appeared on the Seaq ticker, with two trades done at 367p and two at 368p.

But British Gas were a resilient market and closed a fraction easier on the day at 168½p with the final turnover figure coming out at 29m. Shell settled 1½ harder at 368½p on turnover finally recorded as 12m.

BTR continued to advance amid reports of strong institutional interest and dealers being caught running ehort book positions. "It's a good defensive stock in an uncertain market," said one marketmaker. BTR put on 9 to 347p as 7m shares changed hands.

Troubled PWS featured among brokers, with the shares plummeting to 77p before closing a net 25 off at 84p after the dividend ommission and profits setback.

Warrington-based reginal Greenall Whitley remained the focus of attention in the brewery sector as talk of a management buy-out circulated for the second-day running. However, Mr Geoff Collyer of County NatWest thinks an mbo unlikely because of the vast capital gains liabilities it would create. "The *family* owns the company already, so why would they want to buy it again?" the County analyst asked.

However, there has been recent talk that a number of parties are interested in buying one of Greenall'a wine and spirits operations; Guinness *has been named as a possible* buyer of the division that produces Vladivar Vodka, and dealers said that this could axplain the stock's strength. After a busy day's trading the shares closed 10 firmer at 328p.

NEI, where Rolls-Royce retains a near-5 per cent stake, moved up 4¼ to 133¼p, with dealers reporting heavy trading in the shares, possibly up to 10m. NEI is scheduled to announce preliminary profits on March 14 and estimates of as much as £39m have been mooted. There are also whispers in the market that talks leading to some form of link with Rolls-Royce could be revived after the figures are announced.

Profit takera pnlled Rolls-Royce down 2 as the shares settled at their psychologically important issue price of 170p. *Some* 7.9m *shares* changed hands, below the week's average. Institutional investors anticipated the result of MB Group's special meeting over the approval of the merger of Metalbox subsidiary with French group Carnand. They chased the stock, which added 7 to close at 284p.

Speculative buyers took to Williams (John) of Cardiff, which jumped 6 to 48p, while Bromsgrove's bid pushed USM-quoted Delmar 10 higher to the agreed price of 70p a share. Bromsgrove also rose 10, to 145p, helped by persistent small inquiries.

News that Irish meat millionaire Mr Larry Goodman had increased his stake to 7.4 per cent left the shares in Berisford International little tronbled, and they closed a penny better at 160p. Several dealers still believe that Mr Goodman is more interested in Unigate (steady at 344p), where he has a near 8 per cent holding.

There are also some in the market who are convinced that the Irishman has his eye on Dalgety, where once again there were sightings of a big buyer on the inter dealer-broker screens. Dalgety closed 2 better at 356p on turnover of 1.6m shares.

Tate & Lyle were a poor market, slipping 7 to 327p. Dealers said that the shares were undermined by press reports of a disease which has affected US corn yields. However, one *analyst said* that the food industry has known about the problem for at least six months, and described the market's nervousness as "misplaced."

Hoare Govett, broker to Tate, was also quick to play down the significance of the *story. After hosting* a couple of seminars on the company this week Hoare said it would not be adjusting its recently upgraded forecast for Tate; the broking house also remarked that because of the weakness in the price it now regards the shares as a buying opportunity.

Other stocks in the sector linked by dealers to the diseased corn story were Ranks Hovis Macdougall, down 3 at 377p, Hillsdown, 5 easier at 279p, and United Biscuits, 4 weaker at 321p.

Asda edged a shade higher to 146p on excellent turnover of 6.9m shares after revealing a management reorganisation. Dealers said that the initial response to the changes was bearish, hut that buyers continued to match sellers at every opportunity and the shares shrugged off the market's worries.

McKechnie suffered as Mr Mark Wright, a Hoare Govett analyst, downgraded his profits forecast from £42¼m to £39m for the year to July 1989. "Investment programmes they undertook in their first half will have some impact on profits, and higher copper prices have raised the cost of financing stocks," said Mr Wright." The shares closed 4 easier at 327p.

Bullers rose again on the back of Wednesday's sharp profits recovery. Following a press recommendation, a steady trickle of small huyers pushed the price higher to 45p before a close of 6 higher on the day at 41p.

Ricardo jumped 7 to 147p on news of the increased offer from First Technology (450p, up 5), but volume was tiny. "The details of the bid are still to be digested," explained one marketmaker.

The new attempt to resolve the wage dispute at Jaguar, coupled with the improving dollar attracted US investors to the shares, which rose 7 to 311p.

Amongst mostly firmer Properties dealers reported that Mountleigh could be lining up a buyer for its Spanish department store subsidiary Galerias now that Swiss-based investment company Sasea, which has a 21.5 per cent holding in Mountleigh, looks increasingly unlikely to make an offer for it. Mountleigh closed a shade firmer at 160p.

Stroog "new-time" demand lifted Dares Estates 2¼ higher to 33¼p, while Regalian added 9 at 133p on news of a £130m property deal in south London. MEPC were unchanged at 553p after announciog the sale of the Sydney Exchange Centre for A$370m, while Land Securities rose 3 to 563p alongside busy trading in the options.

Renewed speculative huying lifted Mersey Dock units 15 to 558p and Ocean Transport by 8 to 291p; stories have resurfaced recently of the latter again being a target for the Sir Ron Brierley-controlled IEP Securities.

Overseas Traders remained a popular area with investors. Several stocks jockeyed for second spot to Inchcape, including Harrisons & Crosfield, up 7 at 733p, and Paterson Zochonis, *which advanced 9 further to* 339p; the latter's shares were recommended earlier this week by Sheppards, the UK broking firm. James Finlay also came into the picture, rising 5 to 116p after oews that Joho Swire & Sons had increased its shareholding to 29.96 per ceot.

Conditions in the traded options market were generally quiet, though British Gas, Land Securities and Racal were among stocks to cause soma stir, and some exercising was seen in the FT-SE 100 Index contract. Overall business came to 32,031 contracts, made up of 17,247 calls and put to 14,784.

■ Other markat statistics, including tha FT-Actuaries Share Index and London Traded Options, Page 9

FINANCIAL TIMES STOCK INDICES

	Feb. 24	Feb. 23	Feb. 22	Feb. 21	Feb. 20	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	89.08	89.19	89.31	88.78	89.04	90.03	91.43 (18/4/88)	86.18 (14/12/88)	127.4 (3/1/35)	49.18 (3/1/75)
Fixed Interest	98.48	98.41	98.54	98.49	98.53	95.79	98.67 (25/5/88)	94.14 (8/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1663.4	1660.7	1673.7	1696.6	1696.9	1423.7	1714.7 (8/2/89)	1348.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	169.2	163.6	162.4	158.7	157.2	244.8	312.5 (7/1/88)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)

Ord. Div. Yield	4.48	4.49	4.38	4.33	4.28	4.48
Earning Yld %(full)	11.00	11.03	10.88	10.92	10.67	10.70
P/E Ratio(Net)(☆)	11.01	10.98	11.13	11.11	11.39	11.34
SEAQ Bargains(5pm)	31,351	28,571	30,349	31,836	29,459	23,002
Equity Turnover(£m)†	-	1477.88	1304.51	1234.42	1087.97	1119.40
Equity Bargains†	-	32,891	33,081	35,088	32,031	27,688
Shares Traded (ml)†	-	536.3	510.2	510.3	437.3	489.3

Ordinary Share Index, Hourly changes

● Opening	● 10 a.m.	● 11 a.m.	● 12 p.m.	● 1 p.m.	● 2 p.m.	● 3 p.m.	● 4 p.m.
1663.6	1670.7	1669.3	1671.3	1671.2	1672.3	1669.2	1666.1

DAY'S HIGH 1672.5 DAY'S LOW 1663.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 16.94 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Feb.23	Feb.22
Gilt Edged Bargains	131.0	149.7
Equity Bargains	211.8	214.3
Equity Value	2987.2	2636.8
5 – Day average		
Gilt Edged Bargains	115.2	109.6
Equity Bargains	206.5	200.8
Equity Value	2520.0	2525.6

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	6,900	146	+½	Commercial Union	1,900	391	+3	Land Securities	956	563	+3	Rothmans	566	521	+3
Allied-Lyons	2,700	472	-3	Cons. Gold Fields	377	1460		Laporte	976	435	-2	Royal Bk. of Scotland	79	385	-4
Amstrad	2,500	152	+3	Cookson	1,300	308	+2	Legal & General	892	322	-1	Royal Insurance	813	423	+3
Argyll Group	2,300	283		Courtaulds	641	302½	-½	Lloyds Bank	5,800	354	-11	STC	1,100	322½	-1½
Ass. Brit. Foods	383	347	-2	Dalgety	1,575	356	+2	LASMO	509	472	+1	Saatchi & Saatchi	592	379	+6
BAA	1,800	384	+½	Dixons	2,837	153	-1	Lonrho	3,800	339	+3	Sainsbury	507	220	-1
BAT	1,300	536	+2	Eng. China Clays	1,658	519	+2	Lucas	787	635	-3	Scott & Newcastle	168	429	
BET	1,600	250		Enterprise Oil	969	537	+6	MB Group	2,500	284	+7	Sears	5,300	117	
BICC	903	445	+9	FKI Babcock	10,000	177	+20	MEPC	484	553		Shell Transport	11,995	368½	+1½
BOC	1,200	482	-1	Fisons	1,700	277	+2	Marks & Spencer	6,300	161½	-2½	Siebe	529	474	+4
BPB Inds.	2,600	244	+2	Gateway Corp.	3,400	164½	-½	Maxwell Comm.	1,500	207	-2	Smiths Inds.	76	322	
BTR	7,000	347	+9	General Accident	1,500	933	-2	Midland Bank	2,850	454	+4	Smith & Nephew	2,475	129½	+½
Barclays	2,600	444		General Elec.	5,300	231	+3	Nat. West. Bank	3,700	563	+1	Standard Chart.	431	531	-1
Bass	723	963	-8	Glaxo	1,200	1251	+8	Next	2,500	147	-4	Storehouse	5,600	165	-5
Beazer	211	208	+1	Globe Inv.	33	163		Northern Foods	738	293	-1	Sun Alliance	776	1023	-1
Beecham	2,400	559	+1	Glynwed Int.	245	319	+1	Pearson	332	638	-3	T&N	657	207	
Blue Arrow	4,200	91½	-1	Granada	181	349		Pearl	324	410	-1	TSB	2,700	119	-2
Blue Circle	987	525	+5	Grand Met.	3,100	531	+10	P & O	2,200	671	+6	Tarmac	941	281	+2
Boots	754	253	-4	GUS A	441	1107	-4	Pilkington	1,777	233	-2	Tate & Lyle	1,300	327	-7
British Airways	2,400	188	+2	GRE	1,822	279	+1	Plessey	710	256	-1	Tesco	1,200	153	-1
Brit. Aerospace	1,400	514	-3	GKN	462	358	+1	Polly Peck Intl.	1,700	325	-2	THORN EMI	515	709	
Brit & Comm.	1,600	226	-4	Guinness	2,300	403	-½	Prudential	1,600	163	+½	Trafalgar House	1,563	341	
British Gas	29,000	168½	-½	Hammerson "A"	56	786	-3	Racal	5,400	336	+6	Trusthouse Forte	3,870	261	
British Land	1,100	343	+4	Hanson	8,360	174½	+1½	Rank Org.	1,360	299	+5	Ultramar	3,678	302	+6
BP	6,050	272½	+2	Harrisons & Cros.	872	733	+7	RMC	545	619	+13	Unilever	1,375	540	-3
British Steel	8,462	79	+½	Hawker Siddeley	134	648	+2	RHM	1,200	377	-3	United Biscuits	993	321	-4
British Telecom	6,540	268	-4	Hillsdown Hldgs.	1,900	279	-5	Reckitt & Colman	698	1064	+12	Utd. Newspapers	691	438	
Burmah Oil	1,010	544	+2	IMI	57	324	+1½	Redland	856	512	+2½	Wellcome	963	457	+8
Burton	1,800	195½	-2½	Imp. Chem.	2,000	1163	-17½	Reed International	905	455	+2	Whitbread "A"	1,100	339	+3
Cable & Wireless	2,000	425	+6	Inchcape	1,300	261	+7	Reuters "B"	870	632	+3	Williams Hldgs.	1,500	266	+3
Cadbury Schweppes	2,300	346	-4	Jaguar	975	311	+7	RTZ	2,300	522	+3	Wimpey	5,125	233½	-2
Coats Viyella	1,400	154	-½	Ladbroke	1,200	526	+3	Rolls Royce	7,900	169½	-2	Woolworth Hldgs.	702	366	-2

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (168).

BRITISH FUNDS (3) Treas. 3pc 1990, Treas. 3pc '86 Alt., Treas. 2pc Il 1990, BREWERS (4) Clark (Matthew), Greenall Whitley, Do. 5.95pc Prf, Morland, BUILDINGS (7) Arnoliffe, Conder Grp., Galliford, Hadfield Ests., Pochins, RMC, Severfield-Reeve, CHEMICALS (8) Caird Grp., Delmar Grp., Rechem Envl. Servs., Rentokil, Wentworth Intl., STORES (1) Chelsea Man, ELECTRICALS (10) ASEA AB "B", Bowthorpe, FKI Babcock, First Technology, JBB Elect., MMT Comp., Nth. Telecom, Pifco, Do. "A", Plessey, Racal Elect., Racal Telecom, Volex Grp., ENGINEERING (8) Camford Eng., Concentric, Ratcliffs (GB), Senior Eng., Spirax-Sarco, Victaulic, FOODS (3) Clifford Foods, Do. "A", Low (Wm.), HOTELS (1) Resort Hotels, INDUSTRIALS (18) AAH, Bridgend, Clayhithe, Courtney Pope, Eleco, Elkem AS, Grampian Hldgs., Handley-Walker, Just Rubber, Lincat Grp., Lilleshall, Macfarlane, Morgan Crucible, RCO, Ricardo, Sthn. Business, Warner Howard, Wassall, INSURANCE (1) Steel Burrill J., LEISURE (5) Campari Intl., Capital Radio, Radio City "A", Radio Clyde, Thames TV, MOTORS (1) Airflow Streamlines, NEWSPAPERS (2) Black (A & C), Blenheim Exhibits., PAPERS (2) TMD Advertising, WPP Grp., PROPERTY (4) Dencora, Erostin, Gt. Port. Ests. 9½pc 2002, New England Props., SHIPPING (1) Mersey Dock Units, TEXTILES (1) Hicking Pentecost, TRUSTS (15) OILS (1) Monument Oil, OVERSEAS TRADERS (2) Boustead, Inchcape, MINES (3), THIRD MARKET (1).

NEW LOWS (11).

STORES (1) Executex, ELECTRICALS (2) Apricot Comp., Cray Elect., INSURANCE (1) PWS Hldgs., PAPERS (2) Craton Lodge, Ketson, PROPERTY (1) Dares Ests., TEXTILES (2) Heggas (John), Leeds Grp., MINES (2).

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	20	81	6	63	424	55
Corps. Dom. & Foreign Bonds	1	21	22	16	76	129
Industrials	453	322	803	2,155	1,961	3,802
Financial and Props	141	152	374	755	809	1,778
Oils	24	21	54	120	118	260
Plantations	2	2	8	12	7	41
Mines	78	25	61	318	124	482
Others	65	67	118	362	307	577
Totals	784	691	1,469	3,801	3,827	7,129

LEADERS AND LAGGARDS

Percentage changes since December 30 1988 based on Thursday February 23 1989.

Shipping & Transport	+	22.07	Consumer Group	+	13.18
Mining Finance	+	19.58	All Share Index	+	13.15
Building Materials	+	19.54	Conglomerates	+	13.04
Mechanical Engineering	+	19.29	Publishing & Printing	+	12.78
Agencies	+	18.52	Packaging & Paper	+	11.21
Motors	+	18.23	Food Manufacturing	+	11.14
Capital Goods	+	18.73	Banks	+	11.10
Brewers and Distillers	+	18.71	Insurance(Brokers)	+	10.72
Electronics	+	16.22	Insurance(Composite)	+	10.33
Leisure	+	16.11	Food Retailing	+	10.28
Health & Household Products	+	15.65	Textiles	+	10.20
Investment Trusts	+	15.34	Stores	+	9.72
Chemicals	+	14.82	Financial Group	+	9.47
Other Industrial Materials	+	14.73	Overseas Traders	+	9.38
Industrial Group	+	14.44	Oil & Gas	+	9.18
Other Groups	+	14.21	Insurance(Life)	+	9.14
Electricals	+	13.95	*Merchant Banks*	+	8.45
Metals & Metal Forming	+	13.85	Telephone Networks	+	7.06
500 Share Index	+	13.71	Property	+	6.48
Contracting,Construction	+	13.52	Gold Mines Index	+	1.04

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	108-03	-2/32	10.72	10.43	10.35
	9.750	1/98	98-04	-8/32	10.07	9.78	8.63
	9.000	10/08	99-09	-8/32	9.06	8.89	9.05
US TREASURY *	8.875	11/98	96-18	-10/32	9.42	9.24	8.94
	8.000	11/18	97-25	-15/32	9.22	9.07	8.78
JAPAN No 111	4.600	6/98	97.4688	-0.653	5.01	4.88	4.83
No 2	5.700	3/07	107.3582	-0.833	4.93	4.81	4.76
GERMANY	6.375	11/98	95.7500	-0.050	7.01	6.87	6.67
FRANCE BTAN	8.000	1/94	94.3669	-0.049	9.48	8.30	8.57
OAT	8.125	5/99	92.6800	+0.050	8.25	8.03	8.45
CANADA *	10.250	12/98	98.3750	+0.125	10.51	10.29	9.98
NETHERLANDS	6.7500	10/98	96.9250	-0.150	7.28	7.07	6.76
AUSTRALIA	12.000	7/98	90.1711	-0.302	13.79	14.18	12.89

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

IN THE MARKETS

Coffee pulled in two directions

COFFEE HAS been far from the most lively market on the London commodities scene this week but it has been one of the more interesting.

The market's narrow trading range – the May futures position remained between a low of £1,106 a tonne and a high of £1,144 – reflected the balance hetween two powerful forces operating in opposite directions. Upward pressure came from a shortage caused by African supply problems, but that was counteracted by the bearish influence of the continuing deadlock over the International Coffee Agreement.

Shipments of robusta coffee (the type traded on the London futures market) have been delayed from the Ivory Coast, Uganda, Cameroun and Zaire. "The situation is acute," said one London trader. "We don't know *one country* in West Africa free of problems."

Administrative delays are holding up contracted Ivory Coast shipments and the country is reported to be unwilling to make further sales at less than FFr 13,000 a tonne, equivalent to about £1,200 a tonne. Cameroun is believed to have heavily oversold its coffee and its shipments are running about four months behind schedule. Ugandan shipments are about a month behind, meanwhile, and Zaire is still shipping coffee sold for December-January delivery.

That situation might have been expected to produce a strong tone on the London robusta futures market, but dealers have been looking over their shoulders at the problems facing the International Coffee Organisation, which tries to stabilise the market through the operation of an export quota system.

The International Coffee Agreement expires at the end of September and negotiations on a replacement pact look anything but promising so far. The opening of this week's session in London coincided with the sombre news that sagging prices had triggered a cut in export quotas for the present season, and nothing has happened to improve the mood of the delegates.

Consumers, angry at the fact that they have to pay more for quota coffee than non-member importers are charged for supplies which fall outside the quota system, have been arguing for drastic revisions in the operation of the pact. But producers have continued to insist that only minor adjustments are required.

"Its not been a negotiating meeting, more a technical clarification to prepare the ground for what lies ahead," one delegate commented last night. The ICO Council meets for a fortnight from April 3.

On the London Metal Exchange the zinc market had a quieter week, though the cash high grade price still reached a new all-time peak of $2,020 a tonne. That level was first reached at Tuesday's close and, after extremely modest falls ("corrections" traders called them) on Wednesday and Thursday, it was regained at yesterday's close.

The main feature of the week, however, was cash grade A copper's £243.50 rise to £1,895 a tonne and the widening of the premium over three months metal from £78 to £197.50 a tonne.

The market got off to a strong start after the announcement on Monday of an unexpected 1,750 tonnes fall in LME warehouse stocks last week. The fall, ending a sequence of six weekly rises, took the stocks total down to 85,025 tonnes and triggered what traders described as a "belated" bounce, following the recent wave of speculative liquidation. The upward trend continued on Tuesday as confirmation of Zambian supply problems fuelled the rise. But it was interrupted on Thursday, when talk of a substantial stocks rise for this week pushed values down. Yesterday saw the buyers return in force, however, and cash metal registered a £97 rise.

The other strong performer among the base metals was tin, not quoted on the LME since the collapse of the International Tin Agreement in October, 1985.

In Kuala Lumpur the spot tin price continued to respond to the remarkable success of the Association of Tin Producing Countries' efforts to reduce the supplies overhanging the market following the collapse. A rise of 67 Malaysian cents this week lifted it to 22.20 ringgit a kilogram (equivalent to £4,625 a tonne), the highest level for three-and-a-half years. Meanwhile the European free market price gained £222.50 this week *to £4,730 a tonne.*

The recent strength of the tin market has reduced the probability of the producers' association continuing its export control scheme for a fourth year, from March, 1990, according to Mr Gianjar Kartasasmita, Indonesia's Mines and Energy Minister. "If the price is stable, there is no need for a fourth agreement," he said in Jakarta yesterday.

Richard Mooney

APPOINTMENTS

New deputy chairman of Vickers

■ Sir Richard Lloyd becomes deputy chairman of VICKERS at the annual meeting on April 27. He has been on the board since 1978, is chairman of Hill Samuel Bank, and a director of TSB Group, Legal & General, Siebe, Simon Engineering, and Harrisons & Crosfield. Sir Ian Fraser, present non-executive deputy chairman, retires at the annual meeting. He was chairman of Roll-Royce Motors when it merged with Vickers in 1980. Sir Ian is deputy chairman of TSB Group, and a director of Pearson.

■ Mr Charles Gorman has been appointed operations director of BAA HOTELS, a wholly-owned subsidiary of BAA. He was director of operations of Penta Hotels (Worldwide).

■ BANK OF IRELAND has appointed Mr Philip Arrowsmith as sales director of British Credit Trust, its finance arm. He was regional director. Mr Ken Holloway becomes general manager of Bank of Ireland Commercial Finance. Both companies are based at Slough.

■ Mr Richard H. Edwards, vice president, MANUFACTURERS HANOVER TRUST COMPANY, moves to the London branch and assumes responsibility for the UK utilities team. He was vice president, utilities, with the bank in the US.

■ Mr Nigel Ryan has been appointed a non-executive director of TV-am, and chairman of TV-am (News).

■ ROM, Lichfield, has appointed Mr John Forde as operations director, and Mr David Roberts as special projects director. Rom is a subsidiary of the Rugby Group

■ FIRST MORTGAGE SECURITIES has appointed Mr Philip Metcalf as operations director. He was deputy managing director, Bank of America International.

■ Mr David Blackburn, a director of Dawson International, and the recently retired managing director of Joseph Dawson, has become president of the CONFEDERATION OF BRITISH WOOL TEXTILES.

■ Mr John Barlow has been appointed managing director of DURR, Warwick. He was international sales and marketing director at John Brown Automation.

■ *Mr Basil Postan, is joining* DILLON, READ, London. He is director in charge of continental European equities, and of research, at Morgan Grenfell Securities.

■ Mr Roger Hartley has been appointed managing director of Radamec Defeoce Systems from April 3. He was director and general manager, aero and defence division, Hawker Siddeley Dynamics. Mr Peter Davis has been appointed managing director of Radamec Microsystems, Radamec Electronics, and Newbury Diesel Controls. He is divisional manager, GPT Data Systems, and joins Radamec next mooth. Mr Clive Lewis has been appointed finance director of the RADAMEC GROUP, which he joined at the end of 1988 from the defence systems division of Thorn-EMI Electronics where he was financial controller.

■ Mr John Powell, managing director, Graystoo Hire Service; Mr Peter Clarkin, managing director, Deborah Grayston Scaffolding; and Mr Bill Gaston, president of BET Plant Services Inc., have been appointed to the board of BET PLANT SERVICES, the parent company.

■ J. SAINSBURY has appointed Mr J.E. Adshead to the board from February 27 with responsibility for personnel. He joins from Bankers Trust where he was director, human resources.

■ PILKINGTON GROUP treasurer Mr Michael Davies has been appointed to the new post of group financial controller. Mr Alex Wilson, deputy group chief accountant, is promoted to group chief accountant. He succeeds Mr Chris Sole who died earlier this month.

■ DRUMMOND GROUP has appointed Mr Michael Abrahams as a oon-executive director. He was deputy chairman of the John Crowther Group.

■ NORTHERN ROCK BUILDING SOCIETY has appointed Mr Ivor Fox as head of its newly-formed retail banking services.

Mr Neil Hedges, *(above)* managing director of VALIN POLLEN LIMITED, additiooally becomes chief execntive on March 1, following the receot appointment of VPL's present chief executive Mr John Dembitz as VPI Group international development director. He will take over *from Mr Reg Valin* as chairman VPL. Mr Ray Dafter, VPL's head of public relations, additionally becomes assistant managing director.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
60 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	45.58	46.07xd	49.00	-0.1	5.59
Gilts & Fixed Int	6	114.30	114.30	121.30	-0.2	8.24
High Inc Equity	6	127.30	130.30	138.60	+0.7	4.29
Worldwide Bond	6	185.30	185.30	196.50	+0.3	4.94
Capital Growth						
American Growth	6	155.50	157.50m	167.50	+0.2	1.31
Asian Pacific	6	81.46	81.46	87.11	-0.38	1.24
Assets & Earnings	6	153.40	153.40	164.10	+0.9	2.41
Capital Reserve Acc	0	83.29	83.29	83.29	-0.01	4.80
Comdty & Energy	6	94.26	94.26	100.90	-0.1	0.00
1992 Enterprise	6	53.27	54.33	57.79	+0.37	3.13
European Capital	6	76.30	76.34	81.61	-0.18	0.92
General	6	167.70	170.80xd	181.60	+0.7	2.48
Japan	6	106.90	108.60	115.70	-0.4	0.00
Mastertrust	6	78.74	78.74	84.22	+0.02	1.75
UK Growth Acc	6	194.10	194.10	207.60	+0.6	1.64
UK Growth Dist	6	130.30	130.30	139.40	+0.5	2.45
US Emerging Cos	6	45.77	47.32	50.34	-0.05	0.00
Income & Growth	6	278.50	284.90	303.00	+1.4	3.14
Ethical	6	47.53	48.50	51.59	+0.16	2.42

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen 459 10J 0800 833580

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5¼	42.46	42.46	45.17	+0.4	1.79
Australian	5¼	22.13	22.13	23.55	-0.04	1.22
European	5¼	51.86	51.86	55.17	-0.49	0.00
Extra Income	5	41.58	41.58	44.10	-0.05	5.02
Fund Inv Tst	5	115.1	115.1	122.5	-0.1	2.43
Do Accum	5	175.5	175.5	186.7	+0.2	2.41
Gilt & Fixed Int	5¼	21.99	21.99	23.40	+0.01	10.03
Global Income	5¼	38.97	38.87	41.35	-0.04	4.47
Income & Growth	5¼	70.73	70.73xd	75.21	+0.29	3.84
Japan	5¼	178.2	178.2	189.6	-1.00	0.01
Nth Amer Inc Ut	5	26.09	26.09	27.69	-0.11	3.99
Special Situations	5¼	69.77	69.77	74.22	-0.47	0.99
UK Growth	5	35.53	35.53	37.71	+0.05	2.60
World Gwth	5	45.28	45.28	48.06	-0.05	0.47
Formerly Sentinel Funds Management Ltd						
American Majors	5¼	59.55	59.55xd	63.57	-0.04	1.82

[illegible]

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	115.3	117.5	124.9	+2.6	2.86
PM Income & Gth	5	103.7	105.4	112.1	+0.2	4.25
PM Nth Amer Gth	5	46.61	46.61	49.58	-0.05	1.52
PM European Gth	5	46.21	46.21	49.15	-0.46	0.90
PM Japan Gth	5	80.46	80.61	85.75	-0.34	0.29
PM Overseas Gth	5	49.96	49.96	53.14	-0.24	0.89

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

هكذا من الأصل

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Windsor Trust Mngrs Ltd (1200)F
83 Kingsway, London, WC2B 6SD 01-405 8331

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Coastal & Equity	5	63.35	63.82	70.02	[illegible]	[illegible]
European	5	56.85	[illegible]	[illegible]	[illegible]	[illegible]
Far Eastern	5	54.95	54.96	58.47	—	[illegible]
Growth	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Income	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Property Share	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Smaller Co's	5	59.57	[illegible]	[illegible]	[illegible]	[illegible]

Wright Seligman Fund Mngrs Ltd (1000)H
11 Blomfield St, London EC2M 7AY 01-588 0592

Weekly dealing day Tuesday

The Yorkshire Unit Tst Mngrs Ltd (1100)F

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Cent. Bd. of Fin. of Church of England
2 Fore Street, London EC2Y 5AQ 01-588 1815

Charities Official Invest. Fund
2 Fore Street, London EC2Y 5AQ 01-588 1815

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Foreign & Colonial Pen Mngt Ltd

Henderson Unit Trust Management Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst

Morgan Grenfell Inv Mngmt Ltd

Murray Johnstone UT Mngmt

New Court Property Fund Managers

Phillips & Drew Fund Management Ltd

J. Rothschild Fund Managers Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

Canada Life Group

Citicorp British National

City of Edinburgh Life Assurance

City of Westminster Assurance Co

Clerical Medical/Fidelity International

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Insurance Co of America

Commercial Union Group

Cornhill Insurance PLC

Crown Financial Management Ltd

Crusader Insurance Plc

Devonshire Life
29 Clarendon St, W1R 5RG 01-434 3511

Eagle Star Insurance Co Ltd

Economic Insurance Company Ltd

Edinburgh Money Management Ltd

Equitable Life Assurance Society

Equity & Law

FS Assurance Limited

Family Assurance Society

Framlington Life Insurance Ltd

Friends' Provident

GT Management Ltd

General Accident Linked Life Assce

General Portfolio Life Insce Plc

Assicurazioni GENERALI SpA
117 Fenchurch St, London EC3M 5DY 01-488 0733

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Irish Life Assurance Co Plc—Contd.

The LAS Group

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

London A'deen & Nthn. Mtl. Assur. Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

M & G Life and M & G Pensions—Contd.

MGM Assurance

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance Co Ltd

Midland Life Limited

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd
Milton Court, Dorking, Surrey 0306 887766

NEL Pensions Ltd

NM Schroder Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asst Management Ltd

Norwich Union Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Continued on next page

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Pioneer Mutual Insurance Co Ltd
16 Crosby Rd. N Waterloo, Liverpool 051-928 6655

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	286 6	301 9	...	-
Man Pens Inc & Cap Fds	373 9	393.5	.	-
Money Fund	117 2	123.4	......	-
Pens Mngd Fd (Init)	100 9	106 3	..	-
Pens Mngd Fd (Acc)	120 1	126 5	.	-
Pens FT30 Fd (Init)	142 5	150 0		-
Pens FT30 Fd (Acc)	169 6	178 6	.	-
Pens O'seas MgFd (Init)	70 7	74 5	.	-
Pens O'seas MgFd (Acc)	84 2	88 7	.	-
Pens Fxd Int Fd (Init)	105 7	111 3		-
Pens Fxd Int Fd (Acc)	125 8	132.5	....	-
Pens Deposit Fd (Init)	103 4	108 9	.	-
Pens Deposit Fd (Acc)	123 2	129 6	. ...	-

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	104 0	110 0	-1.0	-
Building Soc. Fd	166 0	177 0		-
Balanced	271 0	286 0	-1.0	-
Deposit	168 0	177 0	+1 0	-
European	144 0	157 0	-1.0	-
GT Managed	171 0	180 0	+2.0	-
Gartmore Mngd	112 0	110 d		-
German	103 d	109 d	+1 0	-
Gilt	174 0	184 0	-1 0	-
Global	48 0	51 0	.	-
High Inc	115 0	122 0		-
International Equity	176.0	186 0	-1 0	-
Japan	238 0	251 0	+1 d	-
Managed	61.0	65.0	.	-
Property	276 0	291 0		-
R. W. Imperial Gold	130 0	137 0	-1.0	-
UK Equity	367 0	387 0	-1.0	-
Pension Funds				
American	129.0	135 0	-2 0	-

Scottish Amicable

Skandia Life Assurance Co Ltd—Contd.

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

Roxborough Financial Management Ltd

Rutland Insurance Broking & Inv Grp Ltd

Gartmore Fund Managers (IoM)

SWITZERLAND (SIB RECOGNISED)

B.I.A. Bond Investments AG

BERMUDA AUTHORISED

Prudential Intl Financial Services Ltd

Rothschild Asset Management

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

CANADIANS

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	132p	♥A&M Gold Corp §	149p	+6	–	–	–
32p	4½p	♥Abbot Energy Corp.	13¼p	....	–	–	–
14¼	882p	♥Amer. Barrick Res.	12¼	+¼	–	–	–
10p	2½p	♥Amer. Lightwave §	2¼p	....	–	–	–
47p	7½p	♥Armeno	16½p	....	–	–	–
125p	85p	♥Asiamerica §	108p	....	–	–	–
76p	23p	♥Augmitto Expln.	24¼p	–3	–	–	–
14½	10¾	Bk. Montreal §	13¼	....	$2.12	–	7.4
769p	514p	Bk. Nova Scot. §	689p	–2	84c	–	5.9
18¾	15¼	BCE §	17½	–⅛	$2.44	–	6.5
716p	527p	♥Bow Valley §	671p	–2	‡40c	–	2.9
14¼	10½	♥Brascan §	13	–⅛	88c	–	3.3
328p	177p	♥Bramalea Res.	197p	–1	10c	–	2.5
13¼	801p	Can. Imp. Bank §	12½	+⅛	$1.16	–	4.6
12¼	841p	Can. Pacific §	10⅞	....	76c	–	3.4
41½	38½	Do. 4pc Deb £100	35½	....	4%	–	10.4
515p	357p	Central Capital "A" §	392p	–7	–	–	–
485p	313p	♥Corona Corp	434p	+5	–	–	–
886p	228p	♥Cons TVX Min	315p	–1	–	–	–
371p	21p	♥Danbus Mem. Sys. §	22p	....	–	–	–
666p	430p	♥Deilan Inds. §	598p	–8	11.75c	–	1.0
14¼	746p	♥Echo Bay Mines	909p	–45	$0.07	–	0.4
639p	249p	♥ECO Corp §	457p	–6	–	–	–
40p	11½p	♥Energex Minerals §	13p	....	–	–	–
		For Euro-Asia see Asiamerica					
386p	196p	♥Galactic Resources	216p	+6	–	–	–
423p	267p	Gandalf Techs Inc.	286p	....	–	–	–
125p	41p	♥Geodome Res.	43p	....	–	–	–
391p	141p	Granges Expln §	164p	+14	–	–	–
21p	4½p	♥Gt. Pacific Res.	21p	+4	–	–	–
903p	576p	♥Gulf Canada §	677p	–10	52c	–	3.7
12¾	816p	♥Hawker Sid Can §	11¼	....	$1.08	–	4.4
590p	344p	♥Hemlo Group	445p	+87	–	–	–
12½	785p	♥Hudson's Bay §	11½	....	60c	–	2.4
28¾	20¼	♥Imperial Oil §	23½	–⅛	$1.80	–	3.7
20⅞	10¼	Inco §	17⅛	....	US$0.90	–	2.6
718p	462p	♥Inland Nat. Gas $1	618p	–2	60c	–	4.7
250p	160p	♥Madeleine Mines	133p	+4	–	–	–
207p	126p	♥Muscocho Expln	171p	–1	–	–	–
187p	41½p	♥Nat. Business Sys. §	41½p	–½	–	–	–
245p	85½p	♥Nevada Goldfields	102p	....	–	–	–
12¾	767p	♥Rio Algom	11½	....	$1.30	–	5.5
19½	11½	Royal Bk. Can. §	18	....	$2.20	–	5.9
90⅞	26¾	Seagram §	38½	–¼	US$1.20	–	1.7
361p	74½p	♥Sonora Gold Corp §	107p	+2	–	–	–
121p	18p	♥Spiral Eng. §	78p	+2	–	–	–
150p	55p	♥Tam Pore Tech. Corp §	104p	....	–	–	–
19¼	13½	Toronto-Dom. Bk. §	17½	....	$1.12	–	1.1
746p	566p	♥Trans Can Pipe	719p	+4	68c	–	4.5
205p	127p	Varity Corp §	164p	–3	–	–	–

BANKS, HP & LEASING

1988/89 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*278	124	ANZ $A1	251	–1	s034½c	2.0	6.7	7.3
*284	180	Allied Irish	280	....	F072.9%	3.1	5.4	9.6
£13¼	£10¼	Algemene Fl 10	£11⅛	–⅛	027%	1.9	6.7	–
73	58	Anglo Irish	70	....	019.69%	1.2	6.5	19.9
90	64	Ansbacher (H.) 1p	77	....	1.0	–	3.5	–
£54¾	£30¾	B'caire Cie Fr 100	£49½	+1	G010%	–	1.9	–
£40½	£24¾	Banco Bilbao Viz.	£39½	+½	035.7%	♦	3.1	♦
£36	£27¾	Banco de Santander	£20¾	–⅛	021%	2.4	2.6	15.5
*277	184	Bank Ireland Ir£1	277	+2	015.67%	1.3	4.7	10.0

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

LONDON SHARE SERVICE

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1988/89 High	Low	Stock	Price	+ or –	Div Net	Cvr	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69	56	Rentaminster 5p. y	63	......	F2.0	4.3	4.2	14.7
237	150	Royal Sovereign 10p. y	190	......	14.6	1.9	3.2	17.8
[illegible]	20	Scott Pickford 10p. y	20½	......	3.1	0.7	20.2	10.6
[illegible]	68	Seacon Hldgs. y	116	......	21.0	–	1.1	–
15½	7	Sonic Tape 2½p y	10	......	–	–	–	13.1
[illegible]	13	Staks Hldgs. 5p y	15	......	–	–	–	17.8
[illegible]	1¼	Swanyard Studios 1p y	2½	......	–	–	–	4
[illegible]	200	Takare y	345	......	1.0	♦	0.4	4
[illegible]	26	Tomorrows Leisure 20p y	35	......	–	–	–	17.4
[illegible]	15½	Tullow Oil 10p y	15d	......	–	–	–	–
[illegible]	100	UPL Group 10p y	100	–1	L2.41	4.3	3.2	13.6
[illegible]	120	Unit Group y	145	......	F7.5	2.9	6.9	8.2
17½	12½	Whitegate Leisure 20p y	16½	+1	–	–	–	–
[illegible]	6	Do. Wrrnts y	15	+1	–	–	–	–
6½	2	Wilton Group 1p y	5½	+½	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT at 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ¢ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p y	80	......
Craig & Rose £1 y	710	......
Finlay Pkg. 5p y	43	......
Holt (Jos) 25p y	1235	......

IRISH

Cap. 8½% Ln. 1991	£99¾	......
9pc Cap Ln. 1996	£99¾	+¼
Fin. 13% 97/02	£121	......
Arnotts	425	......
Carrol (P.J.) y	155	......
Hall (R. & H.)	180	+5
Helton Hldgs. y	71xd	+3
Irish Ropes	185	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	48
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	48
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	10
Cadburys	31
Charter Cons.	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	98
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk.	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd.	48
Plessey	15
Polly Peck	28
Racal Elect.	25
RHM	32
Rank Org Ord.	63
Reed Intnl.	28
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	50

Oils

Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	40

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FINANCIAL TIMES
Weekend February 25/February 26 1989

A sombre, remote end for Hirohito

By **Ian Rodger** and **Stefan Wagstyl** in Tokyo

STEADY RAIN and bitter cold turned the funeral of Japan's Emperor Hirohito into a test of endurance for 10,000 mourners who attended the three hours of state and religious ceremonies in Tokyo.

It was not just the weather which took away some of the resonance from the occasion. Emperor Hirohito's funeral turned out to be much like his life – dignified and sombre – but also remote.

In spite of the presence of leaders from 163 countries, the ceremonies were staged with few of the accoutrements of grand state funerals elsewhere. There were no flowers, marching bands or parading soldiers. The speeches were repetitive but brief, the officers of state wore dark suits, not uniforms.

At times, the ceremonies expressed the quintessential Japanese ability to create a mood out of the simplest devices – the hauntingly-beautiful singing of a priest, the eerie dissonance of a dirge played on high-pitched bamboo pipes, the staccato clatter from 51 pallbearers' wooden slippers hitting the carefully-washed stones of a gravel roadway.

For the most part, however, the rituals were remote, both physically because of the huge size of the funeral hall and in their meaning. Bored mourners retreated frequently from the funeral hall to adjacent marquees for tea, where the conversations were often so lively that officials circulated with signs pleading for silence.

The mourners could hardly be blamed for their lack of interest. Unlike a Western state funeral, where the Christian symbols are universally familiar, the Emperor's funeral was composed largely of ceremonies which many Japanese could scarcely understand.

Its religious parts were drawn from Shinto, the former state religion of Japan. But most Japanese families today commemorate their dead with Buddhist rituals, not Shinto. The language of the Shinto rites is foreign to the average Japanese, made up of words with which even expert commentators had trouble.

The whole event had the air of a courtly dance, performed with immense care for the benefit of both Japanese and foreign dignitaries.

Great pains were taken to satisfy the demands of nationalists who wanted a traditional Shinto ceremony and others who insisted on a clear separation of church and state as stipulated in the US-imposed post-war constitution.

A Shinto ceremony, symbolised by the presence of the great *torii* wooden gate, came first. Then curtains were drawn, the gate removed and a secular ceremony began composed of only brief speeches, with the principal mourners coming forward to bow to the palanquin, the litter which bore the Emperor.

The centre of Tokyo was mostly deserted but this was not a city in mourning so much as a city at rest. Most people were either relaxing at home or taking a break somewhere, many on the ski slopes.

Those who came in spite of the weather lined the streets in straggled lines, their numbers not quite sufficient to fill all the gaps along the blue and white barricades.

There were few incidents. Two members of a left-wing group were arrested in a brief scuffle with police after they rushed out in front of the cortege. Later, there was a small explosion along the route between Shinjuku park and the Imperial burial grounds on the Western outskirts of Tokyo. The cortege was well awsy when the explosion happened.

For the most part it was a question of watching and waiting for a brief glimpse of the black hearse.

Bush firm on choice of Tower after rebuff

By **Peter Riddell** in Tokyo and **Nancy Dunne** in Washington

PRESIDENT George Bush vowed yesterday to do on trying to win the support of the full Senate for his nomination of Mr John Tower as US Defence Secretary, in spite of his nominee's rejection by the powerful Senate armed services committee.

The President faces a battle to avoid a humiliating defeat next week in what will be his first big confrontation with the Democrat-controlled Congress.

Early yesterday the armed services committee voted 11-9 along party lines to recommend rejection of the nomination. The full Senate is due to vote on the issue in the middle of next week.

Speaking in Tokyo, Mr Bush expressed full confidence in Mr Tower's knowledge and expertise on defence matters, adding: "I am going to win this battle."

The Tower affair haa diverted the President's time, as well as the media's attention. He has had meetings – 18 in all – with other heads of government who attended the funeral.

Senator Bob Dole, the Republican minority leader in the Senate, described the vote as "a kick in the teeth" for Mr Bush while representing his country abroad.

Senate Republicans are said to be plotting a particularly risky strategy, in view of the President's clear need for bipartisan support.

It would involve claiming that there has been a smear campaign against Senator Tower, while implying that there are Democratic senators who can be faulted – as Mr Tower has been – over allegations of heavy drinking.

Senator Ted Stevens, an Alaska Republican, has already embarked on such a strategy, proclaiming: "I've known senators who had drinking problems . . . We've even known senators to drink during working hours."

The President himself plans active lobbying efforts from this weekend to attract wavering Democrat senators. He will argue that the opposition so far has been based on unfounded allegations about Mr Tower's personal life.

The President will nevertheless find it difficult to attract the six senators needed to reverse the Democrats' usual 55/45 majority in the Senate.

Despite all yesterday's fighting talk, some of Mr Bush's close allies have already begun to distance themselves from the nomination.

Mr James Baker, the US Secretary of State, said the President had to fight on now because if he withdrew Mr Tower's nomination before a full vote, people would say his judgment was "flawed from the beginning." He added that there was still "a chance that it would be won on the floor."

The President and his advisers believe that the Federal Bureau of Investigation inquiry into Mr Tower contains nothing to rule him out as defence secretary.

However, such reports, already seen by members of the Armed Services Committee, are not generally mads available publicly, so Mr Bush will have to rely on private lobbying.

A President pushed onto the defensive, Page 7

Talks on sell-off at FKI Babcock

By **David Waller**

FKI BABCOCK, the electrical and engineering group, announced yesterday that it is in talks which could lead to a cash offer for a significant part of the group.

Neither the company, which was formed in the summer of 1987 when FKI Electricals bought the much larger Babcock International, nor its advisers, N.M. Rothschild & Co, were willing to shed any light on which part of the group could be sold, or to whom. The announcement fuelled much speculation and FKI's shares jumped by 20p to 177p, capitalising the company at £770m.

In a brief statement, FKI said: "If current discussions lead to such an offer it would be the board's present intention to arrange for shareholders to receive the cash directly by way of a reconstruction; the remainder of the group would continue as an independent quoted company.

"It is estimated that the aggregate value of the cash proceeds of the disposal and the market capitalisation of the remainder of the group could be equivalent to up to 195p per FKI Babcock share [£858m in total]."

FKI's business is divided into three main areas: electrical products, with an estimated turnover of £300m in the year to March 31; energy and contracting – which includes the boiler-making operation at Renfrew, with turnover of £320m; and the North American operations, with turnover of £400m.

Analysts said FKI could be planning a disposal of any one of these activities. However, the energy division was mentioned as a favourite candidate, as last year FKI held talks with both General Electric Company of the UK and Westinghouse of the US with a view to a sale.

These came to nothing, and FKI said that it was happy to keep the business. This position was reiterated only last week when the energy division won a £300m order for desulphurisation equipment at the Drax coal-fired power-station in Yorkshire.

The statement was consistent with the efforts of Mr Tony Gartland, FKI's chief executive, to draw the investment community's attention to what he believes to be the group's true value.

It is only in the last fortnight – after the Drax contract – that the shares have caught up with the London stock market as a whole in terms of relative performance. In the aftermath of the October 1987 crash, they underperformed the market badly, despite a series of profit increases arising from rationalisation at Babcock, bought by FKI for £415m in August 1987.

FKI stressed that discussions were at an early stage and a further announcement should not be expected for several weeks.

THE LEX COLUMN

A late arrival by the Fed

The interesting bit about yesterday's rise in the US discount rate was the contrasting response of equities in New York and London: Wall Street down more than 30 points by London's close, but the FT-SE 3 points ahead. Neither market could claim to be surprised by the Fed's action, either in its timing or its scale. The difference seems to lie in the UK having the comforting feeling of being on the same road as the US, but further down it.

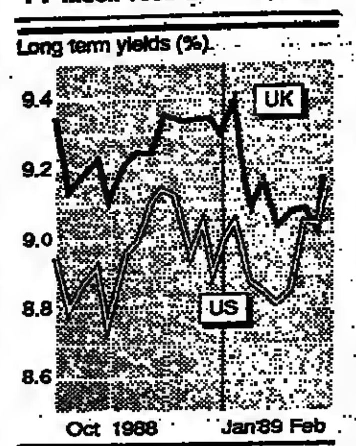
A soft landing still seems feasible in the UK, with demand slowing and the level of inflation perhaps only a late-cycle phenomenon. But in the US, with demand still robust and inflation accelerating, there is no sign of a landing at all. Perhaps the US markets were disappointed that the Fed did not act more dramatically; but after all, with the US employment figures due in another fortnight, it seems sensible to keep another half point in reserve for symbolic purposes.

Next week, much will depend on the behaviour of the dollar, which yesterday was oddly unresponsive. In West Germany, which is developing inflationary symptoms of its own, a rise in the Lombard rate seems not impossible; and given the narrowing interest rate differential between Germany and the UK – from 8 per cent three months ago to under 6.5 per cent now – that would plainly raise the level of nervousness about sterling.

And, of course, about UK interest rates. The market has abandoned thoughts of a cut; the fragile hope is rather that the present level can be maintained for the foreseeable future. What that probably means for equities, barring a collapse on Wall Street, is a period of inertia at least until the Budget.

FT Index rose 2.7 to 1,663.4

Long term yields (%)



Lloyds Bank

As the smallest of the Big Four clearers, Lloyds has long since given up trying to imitate Barclays and NatWest, and its shareholders should be profoundly grateful. Whereas the two big boys of UK banking still harbour grand designs on the international stage, Lloyds is shrinking itself into a largely domestic UK financial institution – and a very profitable business it is, too.

After taking a £40m charge to cover the restructuring of its international operations, which now account for less than 10 per cent of after-tax profits, Lloyds' pre-tax profits are 16 per cent higher. Meanwhile, none of the other clearers can come close to matching its 27 per cent dividend increase. Admittedly some parts of the business have not been been performing up to scratch, particularly in Canada; and while Lloyds Merchant Bank is back in profit, the sum is pitifully small.

Further tremors on the Third World debt front could still disrupt this happy picture, but with the troublesome exception of Argentina, Lloyds is steadily chipping away at its £3.8bn exposure. Indeed, its confident dividend policy suggests that the management is far more relaxed than the stock market seems to be about its risks in these area. Having outperformed the market last year by 24 per cent, Lloyds' shares are still trading on a prospective multiple of 4¼, and there is plenty of cover to increase the dividend by close to the average 19 per cent of the past five years. The Abbey deal has improved the quality of its earnings considerably, and there is no obvious reason why the shares should not continue to outperform the sector at least.

Dividends

First came Lonrho and Hanson, then ICI, Gold Fields, Nat West, Midland and Lloyds. Something is definitely up with the unexpectedly generous dividend increases that are being paid out this year. While Lonrho and Cons Gold may have their own reasons for throwing cash at their shareholders, the big payouts by others hint at a general shift in attitude towards dividends. The cynical view is that companies, faced with dull earnings growth over the next year or two, are trying to buy the market's continued support. While there might be some of that, there are bigger reasons, too. Last year's Budget removed the tax penalty on dividends by bringing CGT and income tax rates into line. Moreover, some institutional investors may now actually prefer dividends to capital gains for their greater certainty, especially as the gilt market – the natural home for safe money – is contracting so rapidly.

As far as the companies themselves are concerned, more generous payouts also make sense. Dividend cover has been falling steadily during the past 10 years, from less than 2 in the late 1970s to almost 2.8, while earnings growth has outstripped dividend growth by 2 percentage points a year. Cautious dividends may be called for when companies have large interest bills, when inflation is rising or the economy growing quickly. However, with corporate gearing at its lowest for decades, growth sluggish and inflation relatively modest, it would not be at all surprising if this year's results season continues as it has started.

FKI Babcock

Yesterday's statement from FKI Babcock demands an imaginative response: indeed, it is difficult to see how one could respond otherwise. All the market knows is that FKI Babcock is negotiating to sell an unknown part of the business to a mystery buyer for an undisclosed price, and that at the end of the day, the company thinks the sold and retained bits together ought to be worth 195p a share. But FKI Babcock has disagreed with the market before on the subject of the true value of the company, and yesterday was no exception. The shares closed 9 per cent below the management's own estimate of post-disposal value, which suggests a major credibility gap. Either investors think the deal will not come off, or that the rest of the business will not be worth that much more once it has done.

The latter, of course, will depend on which bit is on the block: the energy business, whose fortunes were transformed last week with the £300m Drax contract, or any one of a number of others. It is not even clear whether the buyers are, perhaps, in-house; the management has muttered about a buy-out before, when it found the share price particularly irritating, and may act on its convictions.

Metalbox Continued from Page 1

ine shareholders."

"Whatever the motive for their actions, I am sure you will agree that tactics of this nature do not bring them credit," he said.

Mr Richard Strang, a director of Morgan Grenfell, the merchant bank advising the consortium, named Newco, outlined its objections to the merger. He said that "despite a serious and formal approach by Newco, your board made a public rejection of the proposal within three hours of it being made."

Newco said fewer than half of the total number of shares were voted in favour of the merger.

Some anti-French and anti-European Community feeling was evident. One shareholder brought up the question of the Common Agricultural Policy as an example of the alleged iniquities of the French and the EC.

Another said he would be glad to say farewell to "the Aussies" and to Morgan Grenfell, a sentiment applauded by Mr Strang. One shareholder said MB would be "crazy not to merge" with Carnaud but, asked if the new group could be called MBC Packaging instead of CMB Packaging, Mr Smith said that the name did include the English word packaging and not *emballage*.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Viag	254.5	+	9.5
D'sche Babcock	168.5	+	6
Lufthansa	162	+	5
Linde	770	+	15
NEW YORK ($)			
Rises			
Emhart	39⅞	+	7⅛
Bob Evans Farms	16⅞	+	⅝
New World Ent	5¾	+	⅝
Falls			
Chase Manhattan	31⅝	–	⅝
Citicorp	25¾	–	¼
UAL	125⅞	–	2⅛
PARIS (FFrs)			
Rises			
Fromageries Bel	1700	+	105
Gal Lafayette	1198	+	66
Comptoir Entr	224	+	9
Falls			
Raffinage	99.1	–	4.7
Total Cert	86.1	–	3.7
Electro-Fin	890	–	38

Japan closed. New York prices at 12.30.

LONDON (Pence)			
Rises			
BTR	347	+	9½
Bromsgrove	145	+	10
Bullers	41	+	6
Delmar	70	+	10
FKI Babcock	177	+	20
Finlay (J.)	116	+	5
Gr'nall Whitley	328	+	10
Inchcape	251	+	7
Jaguar	311	+	7
Lookers	185	+	7
Mercury Asst Mg	465	+	20
Moss Trust	46	+	5
Paterson Zoch	333	+	9
Racal Telecom	283	+	6
Reckitt Colman	1064	+	12
Regalian	135	+	5
Ricardo	147	+	7
Summer Intl	73	+	5
Falls			
Bass	963	–	5
Lloyds Bank	354	–	11
MBS	41	–	6
PWS Hldgs	84	–	25
Tate & Lyle	227	–	7

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	11	52	Dallas †	F	-4	25	Madeira	F	17	63	Prague	C	6	43
Algiers	F	15	59	Dublin	F	3	37	Madrid	R	2	36	Reykjavik	F	-7	19
Amsterdam	C	7	45	Dubrovnik	C	13	55	Majorca	F	14	57	Rhodes	F	16	61
Athens	S	16	61	Edinburgh	F	4	39	Malaga	R	12	54	Rio de Janeiro		–	–
Bahrain	S	19	66	Faro	F	11	52	Malta	S	19	66	Rome	F	17	63
Barcelona	F	12	54	Florence	F	14	57	Manchester	R	4	39	Salzburg	F	5	41
Belfast	S	4	39	Frankfurt	C	5	41	Melbourne	S	36	97	S'Francisco †	F	9	48
Belgrade	C	19	66	Geneva	Sl	1	34	Mexico City		–	–	Santiago		–	–
Berlin	C	5	41	Gibraltar	R	11	52	Miami †	S	12	54	Seoul	F	7	45
Biarritz	R	6	43	Glasgow	F	6	43	Milan	R	9	48	Singapore		–	–
Birmingham	Sl	3	37	Guernsey	R	6	43	Montreal †	S	-13	9	Stockholm	C	3	37
Blackpool	R	4	39	Helsinki	Sn	2	36	Moscow	R	3	37	Strasbourg	C	5	41
Bombay	S	34	93	Hong Kong	F	22	72	Munich	F	7	45	Sydney	S	26	79
Bordeaux	R	6	43	Innsbruck	F	13	55	Nairobi	C	27	81	Tangier	R	12	54
Boulogne	F	6	43	Inverness	S	6	43	Naples	F	20	68	Tel Aviv	S	20	68
Bristol	R	5	41	Isle of Man	R	4	39	Nassau		–	–	Tenerife	F	18	64
Brussels	F	7	45	Istanbul	S	12	54	Newcastle	C	4	39	Tokyo	C	4	39
Buenos Aires		–	–	Jersey	R	6	43	New Delhi	S	24	75	Toronto †	C	-17	1
Budapest	S	16	61	Johannesburg	C	21	70	New York †	C	2	36	Tunis	F	17	63
Cairo	S	20	68	Las Palmas	F	18	64	Nice	F	13	55	Valencia	C	10	50
Cape Town	R	20	68	Leeds	R	4	39	Nicosia	C	17	63	Venice	F	11	52
Cardiff	R	6	43	Lisbon	F	15	59	Oporto	F	13	55	Vienna	S	14	57
Chicago †	F	-15	5	Locarno	R	4	39	Oslo	S	4	39	Warsaw	C	9	48
Cologne	C	5	41	London	R	5	41	Paris	F	8	46	Washington †	C	3	37
Copenhagen	S	5	41	Los Angeles †	F	16	61	Peking	S	9	48	Wellington	S	14	57
Corfu	F	17	63	Luxembourg	C	3	37	Perth	F	24	75	Zurich	C	7	45

C – Cloudy Dr – Drizzle. F – Fair Fg – Fog. H – Hail. R – Rain S – Sunny. Sl – Sleet. Sn – Snow T – Thunder.
† Noon GMT temperatures

Alliance & Leicester may buy Girobank

By **David Barchard**

ALLIANCE & LEICESTER, the fifth largest UK building society with assets of £11.4bn, yesterday emerged as a potential purchaser of Girobank, the Post Office banking subsidiary.

The sale of Girobank to the private sector was due to have been completed by last November. The deadline was extended when a suitable buyer could not be found and at one stage it seemed the sale might be abandoned.

However, in the last month, a short list of four possible buyers has been drawn up. Co-operative Bank is believed to be the strongest candidate.

Although legislation has been modified to make it possible for a building society to buy Girobank, a purchase by Alliance & Leicester would still entail some complications.

Girobank would have to be restructured with its corporate lending being transferred to a subsidiary company. It might also face problems over activities such as leasing, which are closed to building societies.

Several other building societies are believed to have been deterred by the cost of the acquisition, which would have to be financed from their reserves.

Even if Girobank were to be sold for its net asset value of £100m, the resources of most large sociaties would be severely depleted. The buyer is expected to have to inject additional capital to modernise the group's operations.

Alliance & Leicester strengthened its capital base last year by raising £200m in subordinated debt, a form of long-term borrowing which counts as capital.

Gorbachev Continued from Page 1

from Moscow.

At a rally in the town hall square later, however, three Estonian organisationa damanded just such an independence – a call which attracted support from several hundred people.

The streets of the old Baltic town were filled for the flag-raising holiday, which was called to commemorate the 1918 independence. Thousands of Estonians turned out under the blue, black and white colours, with some young Russians who had been called upon to stage counter demonstrations.

In Kiev, the Ukrainian capital where any serious revival of nstionalism would constitute a real threat to the cohesion of the Soviet Union, Mr Gorbachev attempted to define how far he would be prepared to go to accommodate demands for independence.

"We have to acknowledge honestly that we clearly underestimated the severity of these issues," he said. However, he suggested that nationalist demands could be settled within the decentralising reform process of perestroika.

"Alongside the broadening of rights of the union republics . . . we include raising the status of all types of autonomy, the all-round and varied securing of rights of national minorities, to include even the setting up of national regions, and national soviets within the regions, where there is a concentration of representatives of a given nationality."

The entire issue of national relations within the Soviet Union, and the relationship between the individual republics and Moscow, is to be thrashed out at a plenum of the Communist Party central committee in mid-year.

Mr Gorbachev's speech offers the first indication of the direction in which he believes it could go.

US Fed Continued from Page 1

'why did you bother?'"

The spread between discount rate and Fed Funds rate, closely watched by markets, has narrowed by a ¼ point in spite of the ½ point rise in the discount rate as market interest rates have risen sharply.

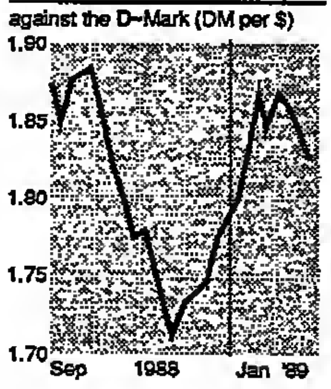
The discount rate is, anyway, recognised to have more symbolic than actual importance. As Mr Greenspan said in his Humphrey-Hawkins testimony to Congress this week, control of short-term interest rates through targeting Fed Funds is the preferred and more direct monetary tool of the central bank.

The dollar fell in morning New York dealings. At midsession it was quoted at Y126.25, compared with an earlier high of Y126.75, and at DM1.8225 from DM1.8330 earlier.

US bond prices fell by as much as a ⅛ point. The yield on the Treasury's benchmark long bond rose to 9.19 per cent, its highest level since the start of September.

Dollar

against the D-Mark (DM per $)



On the stock market the Dow Jones Industrial Average was 34.46 points lower at midday, at 2,255.00, a fall of nearly 70 points in a holiday-shortened week.

Simon Holberton writes: The Bank of England yesterday again intervened to support sterling as, late in the European session, the pound came under increased selling pressure.

The Bank's intervention was described as modest and designed to remind markets of its presence. It was insufficient to stop the pound shedding 1.25 pfennigs over the day, to close at DM3.1950.

Sterling may face a big test next week when trade figures for January are issued on Wednesday. Also, on Thursday the Bundesbank council meets and currency markets speculate it may sanction another rise in its official interest rates.

The pound closed in London at $1.7530, compared with $1.76 on Thursday. On the Bank's trade-weighted sterling index the pound weakened 0.2 to 96.5.

Weekend FT

SECTION II — Weekend February 25/February 26, 1989

A success story turns sour

***Peter Bruce** unravels the story of the scandal which has shaken Spain's banking community and captured the imagination of the nation*

THESE ARE not Mario Antonio Conde Conde's finest hours. He has lost his best friend, is *smoking again*, and has become implicated in a very public adultery that has shaken Spanish high society. A bank merger that promised to make him the most powerful man in the country became a circus and has unravelled. A poor boy made good, he suddenly found himself deserted or attacked by rich aristocrats whose languid, cut-throat world *he happily pitched himself into* at the beginning of last year. "Banking is not difficult," he said at the time, but he must be eating his words.

Meanwhile, Spaniards have been treated to probably the most riveting and, ultimately, tasteless, display in decades of their wealthy and powerful at war. Conde, his friends and his enemies are constantly *front page news in newspapers and gossip* magazines. The story plummeted to new depths last week when a soft-porn magazine published a humiliating picture of a rival's beautiful lover, her miniskirt ridden high enough up her thighs to reveal she was not wearing any underwear. It sold out in two hours.

But the lady will pass quickly from the epic. *Mario Conde is the undisputed star of* the show. The story has been his story.

Spain's banking community had always been a closed, tight circle – often a refuge for the elite and a wonderfully easy way to make money. Huge overhead costs were disarmed by overcharging captive customers. Big banks owned or controlled most of Spanish industry and it was only a few years ago that many began to realise that, with entry into the European Community single market in 1992, banks might actually have to compete for a living.

Then something astonishing happened. Banco de Bilbao, the country's third largest bank, launched a hostile takeover bid for Banco Espanol de Credito (Banesto), the second largest, on November 19, 1987. The bid failed, but not before it had broken every gentleman's agreement in the book and jolted *los beautiful people*, a glittering band of jet-setting socialites – people constantly attended by the gossip press.

Enter *los successful people* in the form of Mario Conde, then just 39, and his friend and business partner Juan Abello Gallo. Los beautifuls and los successfuls have much the same kinds of fun – they hunt on huge private estates, go to exhibitions and buy boutiques – but los successfuls have worked for their wealth.

Conde is a sort of beautiful successful. The son of a Galician customs official, he is strikingly handsome and clever. He studied law at the prestigious Jesuit University of Duesto near Bilbao and passed, with one of the three highest marks ever recorded, a national exam to become an *abogado del Estado*, an exalted degree that guarantees fine employment.

Juan Abello was born wealthy. His father founded a pharmaceuticals company in the 1920s and when Juan took control, he wanted someone to help him sort out the flagging business. In March 1976 a mutual friend put him in touch with Conde, who then went to work for him.

Abello was, by then, reportedly bored. "I don't want to die selling pills," he would say.* Conde persuaded him to sell Laboratorios Abello, but not its 23 per cent stake in Antibioticos, a manufacturer of base pharmaceuticals, to a US company for around Pta 3bn (£15m) in September 1983. Conde walked away with Pta 300m – more money than he had ever possessed – for fixing the deal.

The two friends then set upon Antibioticos. They deposed the chairman, Abello's brother-in-law, and by January 1985 they had taken control of 100 per cent of the company for around Pta 10bn. By 1986 Conde had doubled 1984 sales at Antibioticos to nearly Pta 28bn and foreign competitors began to sniff around for an opportunity to buy. But it was only at the end of 1986 that they struck lucky and Conde accepted an incredible offer worth Pta *58.2bn – 23 times Antibioticos' 1986 profits* – from Montedison of Italy.

Thanks to Conde, the two young men were rich beyond their dreams, but the next move would be very, very big. Their target was Banesto, the country's second largest bank and owner of the largest industrial empire in the land.

The bank had had a tumultuous few years, almost failing to pay a dividend in 1986 because of huge losses at its Catalan affiliate; and the Governor of the Bank of Spain, Mariano Rubio, had forced the res*ignation of Banesto's chief executive* in favour of his own friend, Jose Maria Lopez de Letona.

But when Conde and Abello arrived at Banesto's Madrid headquarters in July 1987, Letona was having trouble with the Banesto board. Banesto and its insurance and industrial affiliates were the fief of a few powerful families and the prospect of the two young interlopers with money to burn was worrying, not least because the board owned little equity.

The families lost. The two men managed *to buy some 5 per cent of Banesto and on* October 13, days before the 1987 stock market crash, they became Banesto vice presidents. Just over a month later, Banco de Bilbao launched its takeover bid.

The Banesto families were incensed and for a few crucial days, takeover was a serious possibility. The Government and central bank governor Rubio wanted it badly to create a super bank *that* would represent Spain in the Euromarkets.

It would have succeeded but Conde and Abello refused to sell their stake to Bilbao and the bid began to melt away. But the affair had greatly weakened Letona, who resigned at a stormy meeting on November 28. Conde was very quickly voted chief executive. On December 5, the Madrid bourse rejected the Bilbao bid and Conde was home free. On December 15, he was made president. His first job as a banker was to run one.

Amid all this fury, another two *successfuls* had crept onto the scene – Alberto Cortina and his cousin Alberto Alcocer, "los Albertos", partners in construction company Conycon. Early in December 1987, it emerged that they had formed a joint venture, Cartera Central, with the Kuwait Investment Office (KIO), to take control of 13 per cent of Banco Central, Spain's biggest bank, and become its biggest shareholders. Javier de la Rosa, the *banker who had run Banesto's Catalan* affiliate, had become KIO's front man for a huge investment programme in Spain and had masterminded the Central deal.

Both in their early forties, the cousins came from privileged backgrounds and had entered into big money by marrying the daughters of Ernesto Koplovitz, an immigrant Jew who had founded Conycon in 1944. He was also a friend of Spain's wealthiest man, Ramon Areces, who founded the upmarket Corte Ingles department store chain. The two sisters own *Conycon but have left their men to man*age it. When Koplovitz died, Areces took Conycon and the girls under his wing. The two families live in the same apartment block and their enormous success has always derived from their teamwork. "It would be difficult to imagine them apart," says a close associate.

Banco Central's ageing chairman, Alfonso Escamez, took fright at his new shareholders, who demanded seats on his board and criticised the way the bank was run. He began to look for an honorable way to end his career, settling upon an offer to Mario Conde, who by early 1988 had become president of Banesto.

The offer was magnificent. The two banks would merge over three years, during which Escamez would be president of a new holding company which Conde *would take over after his retirement*. Together, the two banks would control assets worth more than $50bn and account for more than 7 per cent of Spain's gross domestic product. Their vast industrial interests could merge too. The Government was ecstatic and when the merger was announced last May, Prime Minister Gonzalez called it "possibly the economic event of the century".

Everyone had reckoned without the Albertos. Their stake with KIO in Banco Central would shrivel in the merged bank and they loudly opposed it. This irritated KIO and De la Rosa, who did not want to make an enemy of the host Government, or necessarily, Conde. Unable to stop the merger, they persuaded their partners to try another tack and began buying stock in Banesto. *Cartera Central* now owns just under 3 per cent of Conde's bank, which would give them about 8 per cent of the merged bank and make them still its biggest shareholder. They have five seats on the Banesto board.

Mario Conde's dream had gone fuzzy. Had he not been seduced by Escamez' offer to merge, he would still be in total control of an important bank. *Had he made a* mistake? Juan Abello seemed to think so. He began to resent his creation for being too ambitious with the fortune they had *made* out of Antibioticos.

Conde is not a flippant person and took his job seriously. But the 1988 merger or takeover fever was catching and last *spring he spent almost* Pta 50bn *buying* back control of five innocuous portfolio companies through which he thought hostile bidders could attack Banesto. Abello thought it a waste of money and it did not stop the Albertos entering the bank a few months later.

The two men began to drift apart and last October Abello split his share of their Banesto holding – two thirds of the 5 per cent stake – to manage on his own. Conde had been cavalier with many of the old Banesto board members after "rescuing" *them and now, with Abello gone, he had* few friends to turn to except some Socialist Party members he had brought on to the board to appease the Government. Los Albertos, whom Conde had treated with disdain, were clearly out to remove him, though they still deny it. In the autumn, they struck again by hiring Miguel Boyer, a former Socialist Finance Minister and friend of the Prime Minister, as chairman of Cartera Central. The need to keep the Government and the Bank of Spain sweet had become paramount and if Boyer could *not do it, no-one could.*

However, all was not well in the opposition camp either. By the end of the year, it had become well-known that Alberto Cortina, normally the cooler and tougher of the two Albertos, was having an affair with Marta Chavarri, the striking, blonde, 28-year-old Marquesa de Cubas, endangering his marriage, his relationship with his cousin and, more important, the source of his power. She was already in the process of divorcing the Marques.

In mid-January, Conde received a serious public setback when a large part of his board, including Cartera Central's five nominees and Abello, either abstained or voted against passing his 1988 accounts. Under the merger agreement, Banesto and *Banco Central had* to keep *their share* prices equal, requiring Banesto to spend huge sums buying up its own stock. Los Albertos said the results were artificial because Conde, in order to dress up the figures, had had to include about Pta 18bn – almost half the gross profit – made by selling Banesto assets to bank subsidiaries. Cartera Central argued that it was nonsense to *maintain* the *fiction that* Banesto was worth just as much as Banco Central.

A few weeks later, Alberto Cortina's world fell apart. A magazine published pictures of him and Marta leaving a hotel in Vienna. Cortina was forced to leave home and his wife's shares in the construction company are now being managed by Alcocer.

The gutter press, delighted that at last a pretty girl had become part of a story too complicated to report in pictures, has put *the Marquesa and Cortina through terrible* humiliation by publishing a revealing picture of her sitting in a club wearing a very short skirt. Now divorced, Chavarri will probably leave town for Paris. Cortina's marriage, say friends, is probably over too.

None of this appears to have saved Conde and his merger. Alicia Koplovitz quickly said their marital problems would not affect the companies involved and Cortina continues to work closely with his cousin. Even if he were to go, say insiders, Conycon and Cartera Central would not change *their strategy* much. *Cortina*, anyway, has key stakes in most of the group's quoted companies.

Boyer could play a key role in holding the team together. His wife was once married to the Marques de Cubas's brother, making her, for a while, *Marta* Chavarri's sister-in-law, although the two dislike each other. Boyer's sympathies in this tragedy will probably lie with Alberto *Cortina*, who is going to need all the friends he can get.

Despite the blow to Cortina, the great merger was on its deathbed last night. Rubio had tried and *failed* to get the Albertos and Conde to settle their differences. But as the banking industry's chief supervisor, he had little option but to block or delay it. The Albertos appear to have won. With the merger at an end they would simply revert to their 13 per cent holding in Banco Central and leave Conde alone. For Conde, that in itself would be a bittersweet relief. *KIO* and *De la Rosa*, meanwhile, have become so uncomfortable with the politicking that they are trying to sell their 48.2 per cent share in Cartera Central on the market and the Albertos will try to buy it although are stretched financially.

By late yesterday evening, Conde's quest for power appeared to be at an end. On Thursday, Abello finally abandoned him altogether by resigning and putting his 3.3 per cent stake in Banesto, worth Pta 13bn, up for sale. A final twist of the knife is that Conde may not be allowed to buy Abello's stake for Banesto because it already owns too much of its own equity. The failure of the merger will be a blow to the Government, a personal disaster for *Rubio*, who intervened *flagrantly to make* it happen, and a mean new purgatory for Banco Central's chairman Escamez.

Mario Conde will continue to live in *interesting times. Banesto's survival will* demand every ounce of energy and intellect he possesses. But his could become a smaller world.

** Quoted from: "Asalto al poder", Mario Conde's revolution, by Jesus Cacho. 1988.*

The Long View

End of the phoney war for sterling

Chickens are coming home to roost at the Treasury as well as the Department of Agriculture

WE ARE getting nearer to an economic moment of truth. This week's sudden bout of nerves which sent sterling sharply lower against the D-mark should not have come as a surprise after many weeks of relative stability. The contradiction between a high level of sterling and a yawning trade gap has been there since last summer.

The foreign exchange markets chose to overlook such problems last autumn because dealers customarily only look a few weeks ahead, at most, and they judged – correctly – that within such a time-frame sterling was not at risk. But time has moved on.

Two imminent events are now ringed in red in the diary. Next Wednesday's current account figures for January will be the latest in a highly volatile series, but after two "good" (i.e. not disastrous) numbers for November and December the pendulum is quite likely to swing the other way. Then there is the Budget on March 14, which will reveal Nigel Lawson rolling in fiscal wealth but largely unable to share it with the voters. In the circumstances a minor sterling crisis – strictly under control, of course – might be just what he needs to stiffen the resolve of the Cabinet and the country.

For too long the Government has pretended that the main priority of inflation has been to reduce inflation. This has plainly not been so; inflation has not jumped to 7½ per cent by accident. Now is the time for tough fiscal and monetary measures.

The visible trade statistics will provide a fleeting glimpse of the real economy. It is true that recent figures for industrial production, retail sales and fourth quarter GDP have all shown a fairly sharp slowdown in economic activity, but these are the same indicators that gave false readings to the Chancellor ahead of last year's Budget, luring him straight towards overheating.

In any case he also knows that unemployment continues to fall rapidly, while broad money was still showing 18 per cent growth year-on-year in mid-January. The inflation warning signals continue to flash at red. At the very least Nigel Lawson will have to forgo the springtime base rate cuts which have accompanied, or closely followed, every Budget for the past eight years.

Brussels is gaining a certain grim satisfaction. This week one Henning Christopherson, an EC economic commissioner, was seizing the opportunity to lash the troublesome and unco-operative British for indulging in excessive consumption and for rekindling inflation. But at least this year the UK Government can seek to lay some of the blame on others, as interest rates climb elsewhere in Europe and inflation jumps in the US. Last year our problems seemed to come inexcusably out of a clear blue sky.

How did we get here? Lulled into complacency by years of steady growth and low inflation, but impatient to bring unemployment down and cut taxes, the Government irresponsibly ignored the development of a credit-based boom. This progressed steadily through *1986* and *1987*, and positively exploded during the first half of last year.

After such a mistake there are two possible responses. The Government can try to unwind some of the inflationary damage by imposing a credit squeeze on a scale sufficient to cause debt liquidation and partial reversal of asset price changes. Alternatively it can accept that the liquidity has flowed under the bridge and simply try to limit the long-term damage.

Governments following the second course will in practice find their task of managing the adjustment less disruptive if they pretend to be adopting the first. When the inflation eventually comes through it can *then be blamed on foreign cur*rency speculators, irresponsible companies and greedy trade unions.

Interest rates have been raised sharply, but mainly with the aim of boosting confidence in sterling. January's £8.5bn rise in bank and building society lending does not look to me like any sort of a credit squeeze. As for inflation, I am baffled that City economists are still projecting, as a consensus forecast, a fall back to 5 per cent by the fourth quarter of this year. Such an outturn is still possible, but only if the Government administers economic shock treatment, which is not reflected in the same economists' forecasts of comfortable soft landings.

The Government has still to face up to the consequences of its highly inflationary policies a year ago. In *holding* sterling at a level which is restraining domestic price rises it is preventing a rebalancing of trade and prolonging the period of serious external deficit.

Technically, however, this will be hard to sustain for long. The Government is unable to *help finance* the deficit by selling gilts to foreigners, as it used to in the 1970s. Instead there is a heavy and hazardous dependence upon the attraction and retention of short-term flows – that is to say, hot money.

It is, of course, possible to finance a private sector deficit by selling private sector assets. But the Government has so pushed down long-term gilt-edged yields through buying *in* stock that the yields on sterling-denominated corporate bonds are scarcely attractive to foreign investors. The sudden dive in the Australian dollar has brought home the hazards of the high-yielding currencies.

As for selling corporate assets to foreigners, the involuntary disposal of part of BP to the Kuwaitis did not turn out to be a great success politically, *and nor has the opportu*nistic purchase of water companies by the French. A few deals like Nestle's purchase of Rowntree might help bridge the payments gap, but are we really keen to put our prime corporate assets up for auction to finance our excessive consumption of goods? Likewise, are our investment institutions ready to sell their overseas assets in order to sustain the *exchange rate of sterling?*

Soon we may learn where the economic policy priorities really lie.

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Low-start mortgages: as safe as houses?

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The original MIM Britannia unit trust group was formed in the early 1930s, but the company has undergone a series of far-reaching changes since then. Now, reports **Christine Stopp**, it is looking further to improve its management and investment track record. **Page VI**

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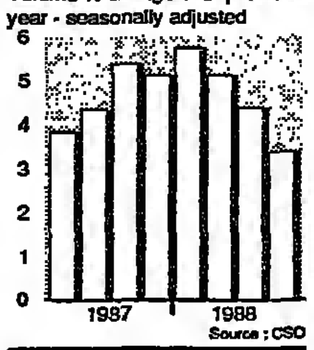
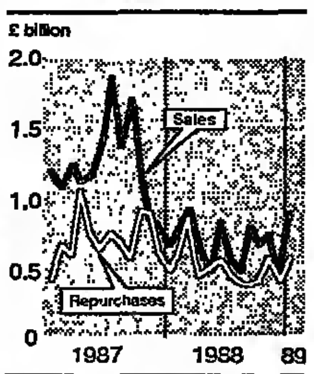
UK GDP (Output)

Volume % change over previous year - seasonally adjusted



Unit Trusts



Slowdown in UK economic growth

Economic growth in Britain slowed considerably in the final three months of 1988, according to preliminary estimates released earlier this week. After allowing for the effects of inflation, real output in Britain rose by 0.1 per cent in the December quarter, compared with the previous three month period. But growth was 3.5 per cent higher than over the same period at the end of 1987, while over the year, the economy as a whole grew by 4.5 per cent. Output has also slowed in service industries, judging by preliminary figures. *Heather Farmbrough*

Unit trusts sales rally

Sales of unit trusts rallied strongly in January, according to figures issued this week by the Unit Trust Association. The jump in sales to £845.9m, compared with £409.8m in December and £630m in January 1988, took the total value of funds under management in unit trusts to £45.9bn — the highest figure since September 1987, just before the crash. However, repurchases (investors selling units) were also at a high figure of £521.2m in January and the number of unitholder accounts continued to decline (to 4.84m against a peak of 5.08m a year earlier) in spite of the number of funds available rising to 1,265. These figures suggest that individual, private investors have used the rise in stock market values as an opportunity to sell out, while the main buying support is coming from institutional investors. *John Edwards.*

Fall in building societies' receipts

Building societies' net receipts were down by 12 per cent over January 1989, compared with the same month in 1988. January's figure (£784m) was also down on December's (£919m). The decline partly reflected the delay in response by some societies to the rise in bank base rates at the end of December, and the introduction of the new National Savings Capital Bond. Inflows may also have been affected by the stock market rally last month.

Building societies committed £2,258m to new borrowers — a similar level to the previous month's figure. Over the second half of 1988, building societies also took possession of 6,380 properties, a 35 per cent fall on the figure for the first half of 1988. *H.F*

Ethical fund in the clear

Credit Suisse Buckmaster & Moore's ethical fund, the Fellowship Trust, is once again in the clear. According to a recent survey by EIRIS (The Ethical Investment Research Service) called "Choosing an ethical fund," a small proportion of the fund was invested in companies with South African subsidiaries. It became clear that this was because one company had a subsidiary in South Africa at the time of the EIRIS survey. Normally, as a result of this information, the fund manager would have been required to sell the investment, but in fact Buckmaster established that the subsidiary itself had been sold. *H.F*

LONDON

High, low, quick, quick slow for the Footsie

THE LONDON market could have been dancing to a Strauss waltz this year. First, the long sweeping steps; then a patch of pianissimo shuffling.

This week was one of its less exuberant phases, with the FT 100-Share Index showing a modest 1 per cent drop on the week's starting level by Friday afternoon — albeit via some fairly sizable daily swings.

That, perhaps, is scarcely surprising. After the heady run at the start of '89, some consolidation always looked likely. Economic uncertainties, if potentially less alarming than they appeared last autumn, still abound, and were only compounded by sterling's slide last week.

Moreover, the takeover bid scene, which can generate a good deal of market froth, appears to have hit a lull — the giant Minorco-Consolidated Gold Fields tussle notwithstanding. And the corporate reporting season — which may generate some indications about the extent to which the interest rate squeeze is impacting on business prospects — is only just getting into its stride.

But it is the economic picture, in particular the prospects for interest rate levels, which was the driving force behind the market gyrations. On Monday, trading opened on a surprisingly firm note, with the Treasury claiming that new figures from the Bank of England provided further evidence that the consumer boom is easing. Of particular merit were the statistics for UK clearing bank lending to the personal sector in January, which showed the smallest rise since February 1987.

That was almost more exciting than the recommencement of Britain's largest takeover bid. Now cleared by the Monopolies and Mergers Commission, Minorco returned with a new £3.2bn offer for Consolidated Gold Fields, with cash-and-share terms worth around £14 a share. But neither the reopening of hostilities nor the price offered caused the market much surprise. The offer was seen primarily as a sighting shot ahead of the asset valuation which Gold Fields is expected to publish in its defence, and shares in the mining house climbed a modest 8p to £14.43.

Nevertheless, it did nothing to discourage an already cheerful market, and by the close Footsie had climbed almost 23 points higher amid SEAQ turnover of 465m shares — fairly modest by the standards set earlier in the year.

Tuesday was less happy. Glum noises sounded by Alan Greenspan, head of the Federal Reserve, about US economic progress sliced back Footsie's early gains. And come Wednesday, further signs of US inflationary pressures and a sagging pound dealt a swift blow to vague hopes of an early cut in UK interest rates. Footsie slumped by more than 27 points.

A day later, it was the turn of Chancellor Nigel Lawson to underline that message and add that next month's Budget will be "prudent and cautious." That, plus some Bank of England intervention, did the trick for the pound, which duly strengthened against the dollar, but it could only push the equity market another 17 points lower.

Only on Friday did sentiment pick up as sterling continued to rally. Building society lending figures, too, offered further comfort for those hopeful of a "soft" economic landing; the January figure for loans to new homebuyers was barely changed from the depressed December figure. By lunchtime, Footsie had regained almost 15 points at just over the 2,030 mark. But even then, the gain had been halved by mid-afternoon as US authorities raised the discount rate.

This ambivalent pattern, many analysts suspect, may be the order of the day for a while yet. On the plus side, the institutional demand for stock appears to offer considerable underpinning. But on the minus front, there is the potential pressure from higher international interest rates which, in turn, tells on sterling. Lurking in the background (and due to be released in the middle of next week) are the January trade figures. With those tests ahead, it is a brave investor who forecasts any break-out from the market's current trading range.

The corporate reporting season has also to be negotiated. Last week, this got underway with ICI, Britain's largest chemicals company, and three clearing banks — National Westminster, Midland and Lloyds — unveiling 1988 figures.

There were few upsets all round, perhaps the only significant surprise being the size of the boost to ICI's dividend. ICI profits for 1988 rolled in at £1.47bn, an increase of 12 per cent on the previous year despite the fact that currency movements cost the company some £100m. Earnings per share showed a 14 per cent rise.

However, the dividend was raised by no less than 22 per cent, which combined with some fairly encouraging noises from chairman Denys Henderson might have been cause for some celebration. Instead, ICI's share price shed 3p to £11.62. And there it sits, on a sub-market, prospective earnings multiple of perhaps eight to nine times, with investors still reluctant to shift the rating away from that of a commodity chemicals producer, no matter how loudly ICI trumpets the changes in its corporate structure.

NatWest kicked off with a record £1.4bn profit before tax, despite a £56m loss from its troubled investment banking arm, County NatWest — of which an £18m deficit was contributed by the bank's 9.5 per cent holding in Blue Arrow. Better still, perhaps, was an 18 per cent dividend increase, slightly more generous than expected, and a novel bonus share issue to reflect the capitalisation of £600m of NatWest's property revaluation reserve, the latter move effectively boosting key capital ratios and easing rights issue worries. That in turn kept the shares steady despite the falling market.

Two days later, Midland — with recent troubles of its own — chipped in with £693m before tax, £5m to £10m better than expected. But some warning notes from the bank's chairman and the addition of a further £201m to bad debt provisions pushed the shares 12p lower to 450p. And news of Lloyds' £952m on Friday, right in line with expectations, left the price here some 11p lower at 354p.

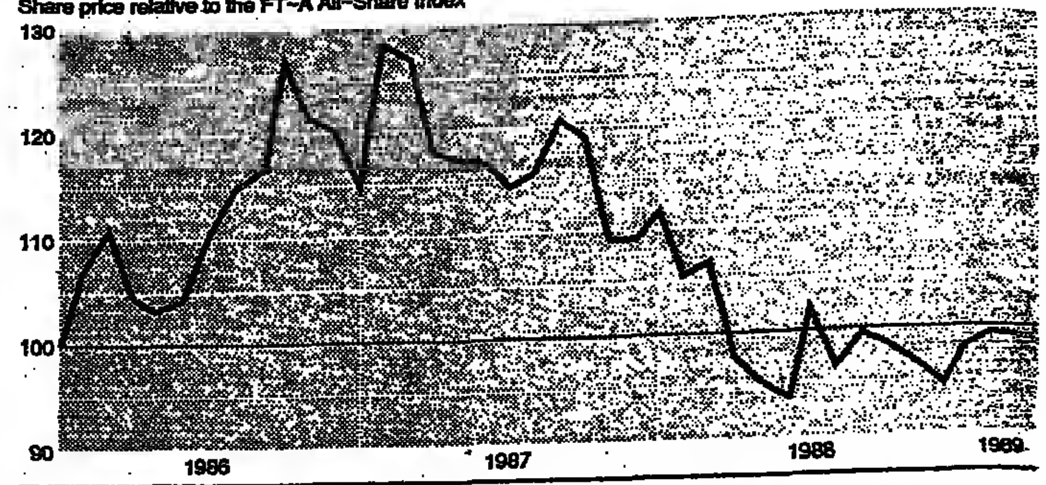
Meanwhile, indications of the corporate sector's unhappiness with current share ratings and the inability to indulge in equity-based fund-raising continue to pile up. On the one hand, Guinness, the UK drinks group, became the latest company to announce the incorporation of a brand valuation in its forthcoming accounts, a move which will substantially improve gearing figures On the other, housebuilder Charles Church joined the list of companies thinking of leaving the stock market via a management buyout bid.

With little sign of another market gallop on the horizon, both are trends that look set to continue.

Nikki Tait

ICI

Share price relative to the FT—A All-Share Index



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1988/89 High	1988/89 Low	
FT Ord. Index	1663.4	-14.7	1714.7	1349.0	Sterling & interest rate worries.
BTR	347	+11	355	238	Doubled profits at Australian unit.
Bass	963	+29	979	733	Strong demand ahead of MMC report.
Bullers	41	+10	51	25	Trebled annual profits.
Church (Charles)	107	+13	139	73	Possible Church family buy-out.
Cons. Gold Fields	1460	+25	1478	758	New Minorco offer.
English China Clays	519	+15	526	370	Broker's seminar.
General Accident	933	-60	1007	794	NZI losses.
Greenall Whitley	328	+28	334	176	Revived bid speculation.
Hicking Pentecost	105	+16	108	51	Robertshaw Hldgs. increases stake.
Local London	546	+56	555	408	£111m bid from Priest, Marians.
Lowe Howard-Spink	394	+23	414	317	Brokers' recommendations.
Piccadilly Radio NV	306	+16	332	55	Bid move by Miss World.
Racal Telecom	283	+19	288	158	Goldman Sachs upgrading.
Sainsbury (J.)	220	-13½	250	188	Brokers downgrade profit forecasts.

WALL STREET

Greenspan: hero turned villain

ALL WAS very well on Wall Street as long as investors were lulled by comforting words from Alan Greenspan. Believing his assertion that he was licking inflation, the stock and bond markets streaked ahead in an ebullient New Year rally.

The trouble was that until this week few questioned either how bad the inflationary pressures were, or whether the Fed was long on words but short on action. Then, suddenly, on Wednesday the markets woke up to inflation. Their optimistic mood evaporated in a flash, turning the chairman of the Federal Reserve from hero to villain overnight.

"The markets have suffered a psychological trauma," diagnosed one miserable analyst.

In a furious sell-off, stocks lost in three days more than one-third of the gains they had made in the previous eight weeks. The Fed responded by trying to reassure the market that it still had the whip hand over inflation. It nudged up again the Fed Funds rate, the benchmark for short-term interest rates, and increased its discount rate to 7 per cent from 6.5 per cent. Banks reacted to the higher cost of money by raising their prime lending rate by half a percentage point to 11.5 per cent.

Like most dramatic turns in the market, this week's — at least on the surface — was triggered by relatively minor events. Sometimes a handclap starts an avalanche. In hard statistical terms the most damaging news came on Wednesday with a 0.6 per cent increase in January in the consumer price index. The rise was a mere 0.1 of a percentage point more than the markets expected but it was the biggest increase in two years, prompting the most alarmist analysts to suggest that the wage-price inflationary spiral had begun at last.

In psychological terms, the greatest damage was done by Greenspan when he appeared before Congress this week to deliver his semi-annual economic report. He said nothing about inflation which he had not said before, but unfortunately the markets were wanting stronger words and actions to dispel any doubts about the Fed's independence.

The question had arisen the previous week when President George Bush said that inflation was nothing to worry about, let alone worthy of a big increase in interest rates to curb it. It looked like a replay of Washington's oldest political spat — White House versus the Fed. Statements from the President and the chairman that they were not far apart in their thinking hurt, not helped, the markets.

Greenspan's economic report was not very reassuring. The Fed has raised its forecast of the range for inflation this year to between 4.5 and 5 per cent from between 3 and 4.5 per cent made six months ago. It boosted its estimate of real growth rate to between 2.5 and 3 per cent from 2 to 2.5 per cent.

Most people on Wall Street believe, as the Fed does, that the economy will slow and inflationary pressure ease later this year. The question is, will the Fed play its policy cards well to achieve such a soft-landing? Pessimists of all persuasions can find something to worry about. Some say Greenspan will fail to tighten monetary policy enough and so prolong inflation's damage; others say he will tighten too much and cause a recession.

Typical of Greenspan's credibility problem was the way in which the markets reacted yesterday to the increase in the discount rate. Many saw it as at best a symbolic act, since next to no banks are currently borrowing from the discount window. More important, the rate is still lagging far behind Fed Funds rate which, at about 9¾ per cent, is the real benchmark for short-term interest rates.

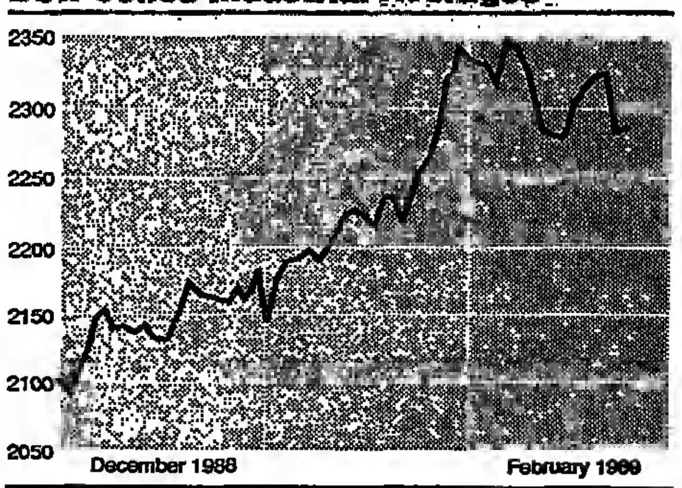
Though only a symbolic catch-up, the markets had been expecting a full one point rise in the discount rate. The half-point increase looked rather meaningless. The dollar sank when logically it should rise on higher interest rates.

Wall Street's "love 'em or loathe 'em" emotional style resulted in a typically harsh verdict. "Greenspan's undeserved reputation for courage and sagacity has been eroded," said Michael Metz, chief market strategist at Oppenheimer. "He's got a credibility problem from here on. He has shown himself to be the handmaiden, if you'll pardon the expression, of the Administration."

With the markets bracing themselves for higher interest rates to cool the economy, stocks will bump along in a trading range for months to come, Metz added. The top end was the 2,347 points at which the Dow Jones Industrial Average closed on February 17. The bottom end is hard to determine at the moment.

Once the economy, inflation and interest rates begin to ease, stocks should revive. In the meantime, however, players can occupy themselves with another imminent upsurge in takeover activity, Metz suggests.

Dow Jones Industrial Averages



	Closed	
Monday		
Tuesday	2,326.43	+ 1.61
Wednesday	2,283.93	− 42.50
Thursday	2,289.46	+ 5.53

Roderick Oram

JUNIOR MARKETS

Technology in the limelight

HOPE springs eternal — which is why high technology stocks thrive on optimism rather than the frequently sparse supply of hard news. Accordingly, with no fewer than three announcements, the past fortnight has proved very eventful for the Third Market's mini-sector of science-related stocks.

The most recent bid for the limelight came from Medirace, a company with ambitions to develop treatments for Aids and cancer. Medirace joined the Third Market in July 1987 and last November broadened its base by buying Cambridge Life Sciences for £4m.

This week CLS was able to announce a deal with Abbott Laboratories, the Chicago-based diagnostic company, to develop a product using its biosensor technology, a tool designed, for example, to measure the blood sugar levels in diabetics.

But the most intriguing news from Medirace was Monday's announcement that it had taken a 25 per cent stake in ChemEx, a fellow start-up company on the Third Market. ChemEx supplies chemical analysis services for the environmental industry. It is, according to Medirace, an exciting, undervalued business. But what possible overlap does ChemEx have with Medirace?

None whatsoever, says ChemEx emphatically. The stake was unwelcome and Medirace would be unable to help in its development. Despite Medirace's protestations that it is a passive investor, ChemEx is uneasy about its intentions.

The incident is the latest twist in the troubled history of ChemEx's shares. This started when T.C. Coombs, ChemEx's sponsor, placed a sizeable stake with Tudorbury Securities, which has been the subject of controversy following a recent television documentary on its sales techniques.

Some of these shares are thought to have formed part of the portfolio sold to Medirace by T.C. Coombs, which is sponsor to both companies. As a result, ChemEx took a dim view of the proceedings and (although T.C. Coombs did not give advice to either company) sacked its sponsor on Monday.

ChemEx is now bereft of a broker and accordingly was forced to suspend its shares. The suspension price of 48p reflects a surge following the latest manoeuvres, but is still a long way short of its placing price of 80p in August 1987.

The good news, however, is that there appears to be no shortage of brokers interested in taking on ChemEx. Harry Bradman, the chairman, has received potential proposals from at least half a dozen companies including some "top flight" broking houses.

Up to now, the Third Market has appeared rather inhospitable for ChemEx. The reverse is true, however, of ML Laboratories, the Third Market's largest company. ML, which is working on a new treatment for kidney failure, is cock-a-hoop about the recent appointment of Hoare Govett as co-sponsor along with its original broker, Allied Provincial Securities.

Hoare Govett did not take the role lightly, according to Kevin Leech, chairman and chief executive. "There were months of examination during which we were turned upside down by analysts, scientists, chemists and corporate financiers." But the extra credibility from having such a pukka broker provides ample rewards, he believes. "It is a hell of an accolade," says Leech.

ML's share price bears powerful testimony to the value of hope. After joining the Third Market in 1987 with a placing price of 70p, its shares have since soared to 423p. That gives the company a market capitalisation of £96.7m — no mean sum for a loss-making company that has yet to get regulatory clearance and which does not hope to go into commercial production before the end of next year.

Investors with long memories may be a touch nervous about high-tech wonder stocks. They may remember Bio-Isolates, manufacturer of protein from whey, which saw its share price rise ten-fold to 440p in its first year on the market. Seven years later it is still struggling to break even and the shares languish at 29p.

Leech acknowledges the sceptics but argues that ML, which is in its ninth year of clinical trials, is no untried start-up. Two weeks ago it announced news of "excellent" results from further product trials of its patent glucose polymer solution for dialysis. At the same time it also announced a £5.1m rights issue to finance a plant to manufacture the product for further trials. Leech says that he is "very optimistic" that it will get regulatory approval by 1990-1991.

He also defends ML's lofty share price by arguing that in the US the company would be capitalised for a far larger sum. "Biotech companies are commonplace in the US, and they are much more easily accepted," he says.

Now the way has been paved, new biotech companies are finding it easier to join the Third Market, he argues. He points to Haemocell, a company set up to develop and market equipment to filter patients' blood during surgery, which joined the Third Market in December. "Because of what we have achieved, we are dragging other people behind us."

Vanessa Houlder

Once a cyclical, always a cyclical

FOR THE private investor, there has always been something special about ICI. Over the years other giants of British industry have dwindled, collapsed or been taken over, but ICI is still up there, toe to toe with foreign competition, among the biggest and most profitable chemical companies in the world.

This week, it produced another set of record profits — up 12 per cent, to nearly £1.5bn before tax — and in a striking gesture of confidence, pushed up its dividend by 22 per cent. But the shares did nothing. At 1180p or so, they yield far more than the average UK industrial share — 5.7 per cent, compared with 3.9 per cent — and are almost 30 per cent cheaper in price/earnings terms.

To understand this, you have to grasp the force of an old City saying: once a cyclical, always a cyclical. At this point, any ICI manager reading this will put the paper down with a groan, or worse. But the fact is that the bulk chemicals business is, and always will be, wickedly cyclical.

In the last big slump of the early 1980s, ICI's petrochemicals business lost £133m in the space of two years. The entire group showed a quarterly loss for the first time in its history, and the Board, in a moment of panic since bitterly regretted, cut the dividend for the first time since the 1930s.

In the past couple of years, though, the cycle has been swinging up strongly again. In the figures reported this Thursday, trading profit for the year was up by £173m: of that, £165m came from the rise in bulk chemicals.

So if you are worried about the possibility of another world recession on the scale of the early '80s, then even at present levels ICI is a sell.

There is another, more sophisticated worry. In the slump of the early '80s, the industry's problem was not just demand, but supply: in the upswing of the late '70s, it had built far too many new chemical plants. Scarred by the experience, managers for years shunned all thoughts of investing in new capacity.

So as demand grew again through the mid-'80s, it began to run into a shortage of supply. This in turn meant soaring prices and a return to huge profits for the suppliers, in the classic cyclical pattern. Over the past year or two, the next inevitable stage has come round again — building new factories. By next year, they will be coming on stream. There is a real risk that even if demand holds up, profits will be hit yet again by industry overcapacity.

There is a risk that even if demand holds up, profits will be hit again by industry overcapacity.

Denys Henderson, ICI's chairman, has heard all this before, and is fed up with it. He does not see a slump coming, and is convinced that a slump would anyway not present the same unique combination of evil circumstances as last time. And if there *is* overcapacity coming, it is not in the areas to which ICI is most exposed. The bulk chemicals business, he believes, is looking good for the next couple of years.

In any case, ICI is by no means only — or even mostly — a bulk business. It has a whole host of products — heart drugs, pesticides, state-of-the-art plastics — which are sold not on price, but on performance, and are scarcely subject to the normal industrial cycle at all. ICI, like most of its big competitors around the world, has laid heavy stress on building up such products as much as possible.

But the ICI rhetoric has subtly changed over the past year or two, as the cycle has inexorably swung up again. In 1987, bulk chemicals made up less than half of ICI's profits, 46 per cent. In this week's results the figure was 51 per cent.

"I think sometimes, to be frank, that we have over-polarised the difference between the two classes of chemicals," Henderson said on Thursday. "People have assumed that bulk chemicals are a bad thing."

But there is food for thought in Henderson's crack, at the same press conference, about City attitudes to ICI. "They are still rooted in the early '80s. But then, they've got the problems the chemical industry had then — high overheads, a declining customer base, and a loss of confidence."

The £500m lost by London's securities industry last year may be small beer compared to the chemical industry at its worst, but one sees his point. People in a cyclical downturn of their own — so severe that they could all be on the street tomorrow — are not the calmest judges of cycles elsewhere.

In fact, the conundrum posed by ICI's share price is far from unique. The same high yield and below-average price/earnings ratio can be found in heavy industrial stocks the world over, from British Steel to Ford and General Motors in the US. In every case it is the same: managers are profoundly convinced that next time it will be different, and investors would prefer to wait and see.

In the present climate of worry about inflation and recession, there seems no reason why such stocks should do better than the market as a whole. But in the case of ICI shares, it looks as if all but the worst possible news is already in the price. If you own them, there seems no point in selling them. If you don't, they are worth buying as a long-term investment. But there is no hurry: they could well be cheaper in a few months' time.

Tony Jackson

FINANCE & THE FAMILY

David Barchard looks at a type of housing loan where the attraction can wane after the initial period

Start low . . . but beware of the costs later

LOW-START mortgages look attractive. For first-time buyers, *or for those who bought* their homes when prices were low and are now trying to live with high interest rates, the idea of deferring part of the monthly payments often looks a godsend. All the main mortgage lenders, *including* building societies, have begun to offer low-start products in the past few months in the hope of creating extra business in a depressed market. The variety available seems bewildering at first sight.

Abbey National, for example, launched three low-start mortgages at the beginning of this month. They include a flexible term mortgage which extends the length of the mortgage *from the standard 25 years to* 35; a low-start endowment mortgage which offers lower monthly premiums on an endowment mortgage, rising by steps over five years; and a two-year lower repayment *mortgage on which borrowers* pay interest only for the first 24 months.

The drop in outgoings for those who take out these mortgages is not enormous. On the flexible term mortgage, for instance, monthly payments on a £40,000 loan would drop by about £14 to £371. On the lower repayment mortgage, tha equivalent reduction is for £20. Savings of this sort are not going to bail many home-owners *out of their financial* problems.

Nonetheless, many people are turning to low-start mortgages with just this in mind. "We are seeing a lot of people, particularly employees of large *companies, who are being hit* by the building societies about to raise their rates in their annual reviews. They are looking for alternative ways of keeping costs down," says Andrew Holloway, mortgage *director at Berry, Birch and* Noble.

Are low-start mortgages the answer? The centralised lenders, who were the first providers in the mid-1980s, view them as a way in which home buyers *can dodge the impact of higher* rates. "Your income is at its lowest and you are most vulnerable to rate increases at the start of the 25-year life of a mortgage," says Steven Knight, of Private Label Mortgage Services.

"What the low-start mortgages typically do is to defer 30 per cent of interest in the first year and then increase your payment by 5 per cent a year until year 12, when you pay *more than you would have* done on a level interest system. But, by that time, your income should have risen even more."

Nowadays, there are two main varieties of low-start mortgage:

1. The fixed payment lookalike. On this kind of mortgage, you pay a fixed amount even though the interest rate being charged on your loan varies with changes in the base rate. *The difference is being added* to your debt. After a specified number of years, the fixed rate might end and the customer starts to service the mortgage in the usual way. The risk here is that if rates drop, the borrower could lose.

2. The percentage cut for a fixed period. In this sort of mortgage, customers will agree to pay a fixed percentage below the normal rate – usually 3 per cent – for a two or three year period. This option, Knight says, is very popular even though both methods mean the borrower is storing up extra debt.

If house prices are rising and incomes ara going np, this might not be much to worry about. An increase of 11 per cent in your mortgage debt over three years will – if the trends of the housing market in recent years are maintained – lag far behind the rise in the value of your home.

Furthermore, the low-start mortgages offered by the centralised lenders offer relief of considerably more than £10 or £20 a month. On a £50,000 mortgage, Knight estimates that a home-owner can expect to pay £100 less a month. National Home Loans says a borrower can save £150 a month on his normal outgoings, and a further £60 a month by using its lower payment facility.

After the grace period is over, of course, ha will find himself paying approximately twice that amount in extra mortgage outgoings. If his income has not gone up steadily in the meanwhile, he could be in difficulties.

Still, there are some short term advantages, apart from the reduced payment. Lenders often advance money at higher multiples of incomes on low-start mortgages, sometimes being ready to offer mortgages of up to 3.5 times joint incomes. Futhermore, borrowers have a pretty clear idea of what they will be paying for several years ahead.

Lenders generally do not like advancing more than 85 to 95 per cent of the value of the house, which is why low-start mortgages tend to go to second-time buyers trying to move quickly np the housing *ladder rather than to first-timers* trying to get on it.

Are there snags? "Borrowers should always check the true rate being charged," says Holloway. "For example, the Chelsea Building Society is offering a mortgage at *four* times income, but the true charge is 14.5 per cent with an option to defer up to 40 per cent. That is an awful lot of interest to be deferring. And on the Bank of Scotland stabilised mortgages, on which borrowers pay between 9.5 and 11.5 per cent, the true charge is 2 per cent above base rate, or 15 per cent at present."

He thinks that low starts are generally not in the interest of *first-time* buyers. Other mortgage hrokers warn that for those on relatively low salaries without prospects of a steady increase in their earning power, the increased payments after the first two or three years can be hard to deal with.

Look carefully at some of the new products being offered by the building societies. They have got into the low-start mortgage act relatively late, partly because of the problems *of introducing specialist software* on the necessary scale. Some of their products do not save the borrower a great deal while others involve steep charges for relatively limited amounts of relief. The golden *rule for those contemplating* a low start is to ask exactly how much extra you will find yourself paying each month once the first three years are over.

John Edwards examines a new way to pay off your property

Putting PEP into a mortgage

USING A Personal Equity Plan (PEP) as a vehicle for repaying your mortgage has a lot of on-the-surface attractions. Dominion Investment Management, the Brighton-based financial services gronp, makes the most of them in the promotional literature for its tax-free mortgage repayment plan launched this week – believed to be the first PEP mortgage scheme to be introdnced.

The basic advantage of nsing a PEP in this way is that yon get all the benefits of a tax-exempt scheme without all the restrictions that come with a pension plan. So, effectively yon get tax relief both on your mortgage interest payments, up to the limit of £30,000, and on the capital repayment.

Unlike a pension mortgage, your money is not locked away until retirement age; you can *withdraw money from* a PEP at any time and need keep it there for only just over one calendar year to retain the tax concessions.

In addition, there is no restriction, as with pensions, on the amount *that* can be taken out in the form of a lump sum to repay the mortgage.

So, in theory you have the best of both worlds: the benefits of a tax-free savings vehicle, and considerable flexibility to pay off your mortgage early or take tax-free income or capital. Why, therefore, has the PEP mortgage been so slow in coming?

One practical reason is that, under PEP regulations, the mortgage lender is not allowed to make a formal charge on the PEP. In other words, it can insist on you using the proceeds of the PEP to repay the mortgage loan.

But the same applies to pen*sions, which also have a limit* on the lump sum that can be paid (now £150,000), and pension mortgages have proved extremely popular in recent years.

Another basic problem, though, has been the unpopularity of PEPs as a long-term investment. For a start, the maximum contribution is £3,000 annually (it was £2,400 originally) and the plan has to be renewed each year.

There is no guarantee that the Government will continue PEPs in their present form; indeed, there is every chance that radical changes will be announced in this year's Budget following the failure of PEPs to appeal *to* investors.

Peter Shepherd of Dominian is not worried by these points. He notes, for example, that a husband and wife between tham can put £6,000 into a PEP each year, which should be enough to repay a substan*tial mortgage over a period of* 25 years. He feels any changes in the Budget will enhance, rather than reduce, the benefits of PEPs.

Another fundamental problem with PEPs is that, at pres*ent, the bulk of investment* is confined to UK stocks only and there is precious little room for manouevre if the London market takes a dive. These restrictions on the size, and type, of investment makes PEPs high risk, and further regulations also make them costly, so additional charges tend to offset the benefits gained from the tax-free concessions that should boost the performance of the fund.

Shapherd points ont that Scottish Amicahls has been appointed investment adviser to Dominion's plan and that, over a long-term period, the returns from UK equity tax-exempt funds have been good. In any event, the plan will be *reviewed every five years and* the investor will be free to use any surplus sums as required.

However, although there are no surrender penalties, don't expect much if yon do decide to cash in early because the charges – and, in particular, the deductions made from your first-year contributions – are steep, to say the least.

The first year (initial) charge, taken at the beginning of the plan, is based on the term of tha mortgage and the annual snbscription. This is calcnlated by dedncting $\frac{3}{8}$ (37.5 per cent) plus VAT from the first year's contributions to cover the first 10 years of the plan, plns 1/48th of subscriptions for the next 10 years and 1/60th for snhseqnent five-year periods. This tots up to 66.6 per cent (two-thirds) for a 25-year plan, or £4,000 out of a £6,000 contribution.

"This charge will not be refundable in the event that *the plan is terminated or the* PEPs transferred within such period," according to the promotional hrochure. What is more: "For monthly cases, an additional charge of £1 a month, plus VAT, is applied."

But that is not all. In addition, there is an annual management charge of 1.25 per cent during the first 10 years dropping to 0.75 per cent thereafter, plus 0.5 per cent on any purchases and sales of shares (over which you have no control), plus stamp duty. There is a bid-offer spread of 5 per cent on money subscribed to the plan.

Dominion says that these charges are in line with life assurance and unit trust industry standards and, indeed, that the initial charge is cheaper than tha normal endowment policy. Tbat is dehatahle, since a massive amonnt in charges is deducted during the first year, which must affect the plan's performance.

In any event, the complicated way in which the costs of the plan are explained in the brochure provides strong snpport for those who are nrging the Securities and *Investment Board to insist on* "harsh" (ie, easily understandahle) disclosure rather than the "soft" approach now being favoured where the investor requires a degree in mathemathics – plus familiarity with industry jargon – to discover the real charges being imposed.

Three more ways to spend

THE PROLIFERATION of *credit cards on the market* continued this week with Save & Prosper, Allied Irish and Barclays all pntting their latest before the puhlic.

Save & Prosper and Allied Irish will charge annual fees for their cards of £8 and £12 respectively. Interest will be levied at around 1.5 per cent a month, or about 19.8 per cent annually.

Barclays' new card is called Assent and it will be a MasterCard. Holders will not have to pay an annual charge, but neither will they enjoy the free credit period which has gone with credit cards up until now.

However, interest on it will be 19.9 per cent annually, well below the 26.8 per cent charged on Barclaycard.

If you want the Assent card, you will have to agree to make a fixed monthly payment from your bank hy standing order. If your Assent account goes into credit, you will not be paid any interest.

Your credit limit will be fixed at 25 times the amount yon decide to pay through standing order.

Is *this* a *raw deal? Peter* Ellwood, chief executive of Barclays Retail Services, thinks not. "This is a card for the responsible borrower who wants to play ahead," he says.

In other words, if you are in need of continuous credit, then it might suit you to shift from Barclaycard's higher interest rate down to Assent.

Most intelligent credit card-users are not in this situation but there are plenty of people who are. Most use the justly-maligned store cards to purchase consumer durables and other necessities – and are paying through the nose to do so.

Interest rates on most of these cards are more than 30 per cent annually and in some cases above 40 per cent. It seems astonishing that people huy things at such painful interest rates when lower ones are available so easily elsewhere.

These people probahly would benefit from switching to Assent, and Barclays says that it is planning a £6m advertising campaign to spread the news about the card.

Assent will be looking for customers who Save & Prosper would be unlikely to accept. S&P is seeking young *professionals with good future* prospects and a reasonable salary already. They have to prove that they are home-owners.

Allied Irish – which has had the useful idea of linking *a cheque book* to its credit card, so that those payments which have to be made using a cheque can be drawn on the credit card account – says that it plans to market its card mainly through its 34 branches. It will not require customers to be home-owners.

This is not the end of the credit card flood. Brace yourselves for further offerings by NatWest and Midland, among the larger banks, which both plan new Visa cards.

Finally, it still looks probable that Barclays and other big issuers are planning to introduce annual charges for cards that are issued free at present.

D. B.

INTEREST RATE COMPARISONS

Interest Rete	Type of Card
Visa end Mestercard	
Barclays Assent	19.9% APR
Lloyds Access	26.8% APR
Midland Access	26.8% APR
NatWest Access	25.3% APR
Barclaycard	26.8% APR
Chase Manhattan	22.9% APR
Co-Operative	26.8% APR
Girobank	25.3% APR
Halifax	20.9% APR
Leeds Permanent	25.3% APR
Save and Prosper	22.7% APR
Trustcard	28.7% APR
Optima (Amex)	38.1% APR on £500 balance; 18% APR on £5,000 balance
Store Budget Cards	
Argus	38.4% APR*
C & A	34.4% APR*
Chelsea Girl	32.3% APR*
Creditcharge	39.8% APR*
Currys	41.7% APR*
Dixons	33.7% APR
Marks & Spencer	34.5% APR
Miss Selfridge	34.4% APR
Next	38.4% APR*
Store Option Cards	
BHS	32.9% APR*
Debenhams	34.4% APR*
Index	32.5% APR*
Laura Ashley	34.4% APR*
John Lewis	19.5% APR

*APR is a few per cent lower if paid by Direct Debit or Standing Order

Source. Barclays

FINANCE & THE FAMILY

The Week Ahead

Insurers count cost of risky business

THREE of the big UK composite insurers come marching home this week. Two of them will be bloodied but apparently unbowed by troubles in foreign lands, the third is being shadowed by an overseas stakebuilder.

Insuring the world against fire, flood and other disasters is an up-and-down business, and the companies which write the business do not go up and down in tandem. The mix of risks insured and the independent actions of management have a lot to do with this.

General Accident, with a major commitment to the UK motor market, seems decidedly on the upgrade. Chris Pountain of County NatWest WoodMac expects GA's chief general manager, Buchan Marshall, to report pre-tax profits of £285m for 1988 next Wednesday, against £204m the year before, itself 66 per cent up on 1986. He expects the final dividend to match the 24 per cent interim increase for a total of 43½p (35p) net.

Unfortunately, GA has damaged its management credibility with last summer's acquisition of the New Zealand banking and insurance group, NZ Industries. By last autumn, NZI was reporting losses in its banking subsidiary; this week, losses of NZ$13m appeared in its life insurance operations and the company scrapped a NZ$290m (£97m) rights issue aimed at rebuilding its balance sheet.

Sometimes, the composite itself is seen as a takeover target: Commercial Union was in the stock market pages again this week. Adelaide Steamship, the Australian holding company, had built its stake up to 10 per cent.

Whether Adelaide is a predator willing to get its claws bloody or a scavenger looking to pick up a morsel or two on a stock market play is a matter of conjecture. What is agreed is that the UK insurer is not an obvious victim.

CU is more likely than GA to reflect the cyclical downturn in the US insurance underwriting cycle. But its chief executive, Tony Brend, is still expected to preside over a rise in profits from £170m to £202m on Wednesday, together with a 17 per cent dividend rise to 18¾p net.

Dividend decisions are more important than profits in the composite insurance sector. Companies make high profits some years which subsequently dwindle into losses, particularly in the fiercely competitive North American underwriting market, but they still have to have a strong assets/investment base to take the underwriting risks in the first place. This may be just as well for Royal Insurance which, on Thursday, is expected to lift its dividend by 17 per cent to 22½p net from profits £34m lower at £240m before tax.

Royal's chief executive, Alan Horsford, reported a year ago that the October 1987 British hurricane had cost the company £105m in claims. Last year, the company reported disappointing results quarter by quarter as the US downturn took its effect, culminating with a £112m provision against outstanding claims in the US last November.

Unilever, at the moment, is finding it easier to be an international and very, very large. The market is excited by the deal, announced this month, whereby the Anglo/Dutch foods and detergents combine has agreed to buy the Fabergé and Elizabeth Arden personal products business from Meshulam Riklis, the Wall Street financier, for some $1.55bn (£876m).

In this mood, it may be disposed next Tuesday to hail the expected £1.48m pre-tax profits total for 1988, up from £1.33bn last year and £1.14bn in 1986.

The other large Anglo/Dutch complex, Royal Dutch/Shell, delivers 1988 results on Thursday. The management saw a bleak future for oil prices last August, and it will be interesting to see if there is any reaction to the more bullish outlook propounded last week by the Exxon chairman, Larry Rawl. Meanwhile, Shearson Lehman is looking for Shell's 1988 net income to rise from £2.824bn to £3.005bn.

Tuesday brings results from STC, Britain's second largest electronics group. The company joined the potential movers and shakers list at this time last year, when it turned in profits 40 per cent higher at £188m before tax and said that it had nearly £200m in cash in its balance sheet.

There have been a couple of US acquisitions in recent monthsbut the market is convinced that another deal or project is on the cards. It is expecting profits to rise to £230m and hopes that there will be other goodies to pick over — a joint venture for the ICL compnter group is one fancy.

Tony Brend, chief executive of Commercial Union

Alan Horsford, chief executive of Royal Insurance

Buchan Marshall, GA's chief general manager

Cadbury Schweppes is a little further down the line. It launched an agreed bid for Bassett Foods, of Liquorice Allsorts fame, at the beginning of this month. The original, hostile bidder for Bassett, the Swedish conglomerate Procordia, formally withdrew from the fray this week.

Among other things, say brokers Kitcat & Aitken, the Bassett deal would dilute the stake in Cadbury held by General Cinema of the US from 18.4 per cent to about 17.5 per cent. It also follows in a line of measures — the acquisition of Poulain, the Hershey deal and the buy-in of the Australian minority — which should have the effect of reducing the chances of a bid from General Cinema succeeding.

Meanwhile, say Kitcat, Cadbury should report profits up from £176m to £213m before tax on Thursday.

Barclays, reviewed here last week, will conclude the banking results season on Thursday, with pre-tax profits expected to be up by about a quarter to £1.3bn.

In a crowded economic list, the UK trade figures could be the crunch point of the week for ordinary shares, says Neil MacKinnon of Chase Investment Bank. The market has been desensitised to a considerable extent, says MacKinnon, and next Wednesday it is likely to view a January trade deficit of below £1bn as a good thing, and only get really worried if it tops £1¼bn. Within the figures, however, anything pointing to buoyancy of imports, or weakness of exports due to the strong pound, will be taken very seriously indeed.

Analysts also expect to be treated to a pre-privatisation meeting, on Tuesday, with the Midland Electricity Board; and, on Wednesday, Parliament fields a select committee on the privatisation of Girobank.

William Cochrane

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated					
Bassett Foods	558	555	473	87.87	Cadbury Schw'pes
CSL Corp.	154	150	108	31.76	TIP Europe
Chamberl'n Phipps	198½	217	154	74.67	Evode
Chamberl'n Phipps	220*	217	189	81.0	Bowater
Chapman Inds.	425*	420	360†	18.48	Munksjo AB
Cons Gold Fields	1403§	1460	1436	3.17bn	Minorco
Delmar Group	70*§	70	60	4.93	Bromsgrove Inds.
GT Management	180*	181	176†	91.50	Bk Liechtenstein
HPC Group‡	144	141	123	9.59	Sidlaw
Health Care	94§§	93	80	12.97	Compass Group
JSB Electrical	402	397	313	25.30	Emess
Jacksons B'ne End	150*§	164	147	12.75	Vasella
Johnstones Paints	230	225	206	24.15	La Seigneurie
Local London	550*	546	494	110.99	Priest, Marians
Marina Dev.	521§	483	380	77.71	Local London
Personal Comps.	220	219	140	11.04	P & P
Piccadilly Rad NV	314§	309	258	25.13	Miss World
Polytechnic Elec.	215	211	197†	19.35	Peek
Ricardo	158	147	125	22.95	First Technology
Thomson T-Line‡	90*	89	50	151.95	Ladbroke Group
Viking Res.	58*§	58	57	23.20	Aviva Pet.

*All cash offer.††Cash alternative. ‡Partial bid. §For capital not already held.‡Unconditional.**Based on 2.30pm prices 24/2/89.†At suspension. §§Shares and cash.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Albright & Wils.	Dec●	49,200	(46,600)	-	(-)	-	(-)
Bank Leumi (UK)	Dec‡	2,630	(1,940)	-	(-)	13.5	(12.4)
Bremhill Indust	Oct	879	(12)	37.8	(33.9)	-	(-)
Brit. Petroleum	Dec‡	2.077bn	(2.387bn)	20.0	(24.9)	13.5	(12.5)
Buller	Dec	705	(204)	3.9	(0.41)	2.0	(2.0)
Cap. & Counties	Dec	43,500	(24,857)	20.3	(16.6)	10.5	(8.5)
Cont. & Ind. Tst	Dec	14	(13)	53.3	(52.4)	50.0	(50.0)
Dunloe House	Dec	339	(266)	-	(-)	-	(-)
English & O'seas	Dec	1,350	(734)	18.9	(13.5)	1.5	(-)
F&C Enterprise	Dec	145	(254)	0.13	(0.20)	0.14	(0.13)
F&C Invest. Tst	Dec	17,092	(15,680)	2.27	(2.11)	2.26	(1.96)
Gartmore Info.	Dec	1,750	(1,677)	1.68	(1.62)	1.45	(1.3)
Green Property	Dec	1,170	(1,160)	6.48	(6.6)	3.1	(3.0)
ICI	Dec	1.47bn	(1.3bn)	130	(114)	50.0	(41.0)
Jackson Bourne	Dec©	432	(523)	3.5	(4.0)	2.35	(1.75)
Kleinwort O'seas	Dec*	2,280	(2,220)	2.82	(2.75)	2.7	(2.6)
Meldrum Inv Tst	Dec	2,604	(2,208)	4.84	(3.95)	4.4	(3.5)
Midland Bank	Dec	693,000	(505m L)	75.1	(-)	23.0	(21.0)
Nat. Westminster	Dec	1.407bn	(704,000)	123	(57.0)	28.25	(24.0)
Nichols JN Vimto	Dec	6,550	(5,960)	22.5	(21.5)	8.6	(7.75)
North Sea Assets	Sept	199 L	(375 L)	-	(-)	-	(-)
Oce (UK)	Nov	7,190	(4,210)	-	(-)	-	(-)
Optim Group	Oct	506	(342)	5.06	(4.42)	-	(-)
Provident Fin.	Dec	28,200	(26,700)	37.2	(36.1)	18.0	(16.0)
Ryan Hotels	Oct	1,300	(179)	3.14	(-)	1.5	(1.5)
Takare	Dec	1,040	(479)	11.4	(5.5)	1.0	(-)
Tarry EW	Dec	3,160	(1,961)	20.8	(18.2)	8.86	(5.26)
Taveners	Dec	212	(279)	6.91	(9.16)	1.25	(1.25)
Temple Bar Inv.	Oct	5,500	(4,200)	9.65	(7.41)	6.5	(6.95)
Transatlantic H.	Dec	52,500	(39,100)	15.5	(13.1)	10.0	(8.0)
Vickers	Dec	69,800	(62,600)	19.3	(17.4)	7.5	(6.7)
Yelverton Invest	Oct	71	(211)	0.5	(1.1)	0.5	(-)
Yeoman Inv. Tst.	Dec	3,410	(3,030)	-	(-)	-	(-)
Yorks. Chemicals	Dec	8,500	(6,250)	36.5	(26.7)	10.0	(7.0)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Alumasc Group	Dec	2,060	(1,910)	2.65	(2.65)
Ashtead Group	Oct	2,420	(1,410)	0.65	(0.55)
BTS Group	Sept	81	(107)	-	(1.3)
Castletown Press	Dec	66	(53)	2.0	(2.0)
Cons. Gold Fields	Dec	137,700	(182,700)	12.5	(10.0)
Creston	Dec	259	(25 L)	0.7	(-)
Ewart	Oct	522	(179)	0.75	(0.5)
FII Group	Nov	3,230	(3,202)	3.5	(3.25)
Irish Glass	Dec	1,200	(577)	1.0	(0.75)
Isotron	Dec	1,150	(970)	0.87	(0.72)
Jersey General Inv	Oct	2,300	(800)	-	(-)
Orchid Technology	Dec	631	(217)	-	(-)
Peters Michael Group	Dec	1,070	(530)	1.7	(1.5)
Ramar Textiles	Nov	428	(375 L)	-	(-)
Ramus Holdings	Dec	801	(389)	2.5	(2.0)
Really Useful Group	Dec	2,800	(2,900)	5.0	(4.5)
Regentcrest	Oct	2,150	(434)	-	(-)
St. Davids Inv. Tst.	Jan	257	(237)	4.0	(3.5)
Sinclair Goldsmith	Nov	939	(560)	1.5	(0.9)
Throgmorton Dual Tst	Jan	1,014	(804)	2.25	(2.0)
Tor Investment Trust	Jan	811	(573)	8.25	(6.6)
Usher Frank Holdings	Nov	634	(783)	2.0	(2.0)

(Figures in parentheses are for the corresponding period.)
Dividends are shown net pence per share, except where otherwise indicated. L = loss.☨ results released on February 16 1989.‡ after tax profits.● trading profits.© last years figs for 9 months. profits = net revenue.

RIGHTS ISSUES

Spice is to raise £3m via a five-for-six rights issue at 45p.
Stanley Leisure is to finance a £25m purchase via a vendor rights issue of 10m new shares at 220p.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Burford Group is to raise £20m worth of 25-year money via the placing of a first mortgage debenture issue.

Income: a capital idea

WHILE the rest of the world examines Salman Rushdie's *Satanic Verses*, the investment trust gurus at County NatWest Wood Mac have been studying the Alternative Service Book.

They say they have found the key to prudent investment in the Gospel for the Eighteenth Sunday after Pentecost, where Matthew the tax collector, the only apostle with any financial training, says: "You should have deposited my money with the bankers, and on my return I would have recovered my capital with interest."

Matthew has got it right in one, according to the County team, who say in their recently-published Investment Trust Review of 1988 that "income is the key to all successful long-term investing."

Indeed, if you are thinking of buying shares in an investment trust with a view to some years ahead, yon could do worse than to concentrate on those offering a higher rate of income because, as County says: "Investing on an income discipline will, in general, tend to produce superior results over the longer term." However, County also warns that "it is not an infallible — or even a good — system for picking specific stocks or for selecting investments on a short-term basis."

Trusts to consider on yield/dividend growth grounds

- Alliance
- Bankers
- British Assets
- Edinburgh Investment
- First Scottish American
- Merchants
- Murray Income
- Murray International
- Scottish Investment
- Second Alliance
- Securities Trust of Scotland
- Temple Bar
- Throgmorton
- TR City of London

Investors have been showing increased interest in income trusts recently, for three reasons. Since the 1987 stock market crash, income funds have been a logical choice for investors seeking a defensive strategy. Budget changes have also made it more worthwhile for individuals to earn income from investments, as the maximum rate of tax on investment income — 40 per cent — is now the same as the maximum rate of tax on capital gains. In comparison, ten years ago, the rates were 98 per cent and 30 per cent respectively. The third reason is that a number of diversified trusts, such as Edinburgh Investment and Scottish Investment, have announced large dividend increases recently.

County's argument is based on a survey of income growth specialist trusts in the period 1983-8 as well as a series of "yield portfolios" in 1978-1987. Research showed that income growth trusts have tended to perform better than average over recent periods and that over the five years 1983-8, dividend growth seems to have geared-np the performance advantage accruing from a high starting yield.

The message for investors is clearly to choose either a trust with a high starting yield and a good sustainable dividend growth record, or those which have just taken steps to increase their income profile bnt yet have to see this reflected in share price.

County have prepared a selection of trusts which they believe fulfil all or any of these criteria (see table).

The review says thet it is unlikely that the investment trust sector will stage this year a repeat performance of 1988, when the FT-Actuaries Investment Trust Index outperformed the FT-Actuaries All-Share Index by 11.8 per cent. A fair amount of take-over activity helped boost prices last year and there could be more this year.

Heather Farmbrough

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Appleyard Group	Monday	3.5	8.5	5.5
AMS Industries	Tuesday	0.5	1.0	0.5
Associated-Henriques	Wednesday	-	-	0.75
ASW Holdings	Wednesday	-	5.0	-
Barclays	Thursday	9.0	12.75	10.0
Bensons Crisps	Tuesday	-	0.5	0.8
BPP Holdings	Monday	2.6	4.0	3.4
British Kidney Patient Assoc.	Tuesday	-	7.25	3.5
Cadbury Schweppes	Thursday	2.1	5.9	2.4
Camperi International	Wednesday	1.5	5.0	2.0
Chieftain Group	Wednesday	-	-	-
Cityvision	Tuesday	-	0.5	-
Commercial Bank of Near East	Monday	-	30.0	-
Commercial Union	Wednesday	6.25	9.75	7.25
Conroy Petroleum & Nat. Res.	Tuesday	-	-	-
Cooper Alan Holdings	Monday	1.5	3.25	2.1
Cowie T.	Thursday	0.8	2.0	1.2
Cresta Holdings	Tuesday‡	-	0.75	0.5
EFT Group	Tuesday	0.1	0.25	0.2
Fife Indmar	Thursday	0.75	2.75	0.75
First Scottish American Trust	Tuesday	5.0	9.0	6.0
Freeman Group	Thursday	-	-	2.25
General Accident	Wednesday	12.5	22.5	15.5
Greenwich Communications	Tuesday	-	-	-
Hampden Homecare	Thursday	0.5	1.3	0.5
Lancashire & London Inv. Tst.	Wednesday	1.0	2.75	1.0
McAlpine Alfred	Tuesday	4.4	11.6	4.5
Metal Bulletin	Wednesday	1.65	3.15	1.65
Murray International Trust	Thursday	1.75	3.75	1.75
Norton Group	Tuesday	-	-	-
Pacific Assets Trust	Wednesday	-	0.85	-
Pickwick Group	Tuesday	0.8	1.5	1.0
Pittard Garnar	Thursday	1.75	4.15	1.75
Porvair	Monday	-	-	-
Royal Insurance	Thursday	8.25	11.0	9.5
Rue Estates Holdings	Tuesday	3.0	4.0	3.0
Sedgwick Group	Monday	4.0	6.0	4.0
Serco Group	Monday	-	-	-
Shell Transport & Trading	Thursday	16.5	31.5	21.5
Stat-Plus	Tuesday	0.75	1.5	1.25
STC	Tuesday	2.25	4.75	3.0
Suter	Monday	1.5	3.5	2.0
Unilever	Tuesday	3.54	8.65	3.88
Updown Investment Company	Tuesday	-	5.5	-
UTC Group	Monday	3.0	5.0	4.0
Wates City of London Props.	Monday	0.77	2.03	0.77
WPP Group	Wednesday	1.5	4.0	5.4
INTERIM DIVIDENDS				
Allied Restaurants	Monday	0.5	1.0	-
Armitage Brothers	Monday	2.0	2.5	-
Bailey Ben Construction	Wednesday	0.5	1.6	-
Benson Group	Monday	-	0.7	-
Chambers & Fargus	Tuesday	1.0	2.0	-
Goodwin	Tuesday	-	0.6	-
Highpoint Services Group	Tuesday	2.0	3.75	-
Kleinwort Benson Int Inc Bond	Thursday‡	17.43	20.57	-
Macro 4	Thursday	1.6	2.3	-
Mainmet Holdings	Friday	0.75	1.5	-
Manganese Bronze Holdings	Monday	2.25	3.75	-
Murray Income Trust	Tuesday	2.5	4.6	3.5
Polypipe	Wednesday	0.7	1.4	-
Scholes Group	Monday	5.5	11.5	-
Scottish English & Euro. Tex.	Wednesday	1.6	3.7	-
Thorntons	Tuesday	-	-	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.‡ per share gross.

BES tenancy schemes survey

A SURVEY of BES assured tenancy schemes has just been published by the stockbrokers, National Investment Group. It sets out clearly all the key points of each issue such as area, property managers, directors' options and incentives and issue costs.

In addition, a brief conclusion is offered on each. While some issues are recommended (Johnson Fry, Northern Renewals), a few get the thumbs down (Assured Property Management and BES Residential Property Corporation). National Investment Group is charging £3.00 per copy and is based at Salisbury House, London Wall, London EC2 5SX.

H.F

FINANCE & THE FAMILY

Richard Waters on the use of trusts to shift the tax burden between man and wife

Keeping married couples separate

NEXT YEAR sees the introdnction of a system for taxing husbands and wives separately. In advance of that, this year's Budget is likely to contain provisions to prevent married couples using the new rules to avoid tax artificially.

The Government's main concern is that husbands may simply transfer investment income to *their wives without at the* same time passing over ownership of the assets from which the income is derived. This is against the spirit of separate taxation: the Government's aim is to free women from a system which does not allow them to be taxed separately on their independent wealth.

The Government's concern centres on the use of trusts, which can be used to separate ownership of assets from the income they generate. A husband could transfer his assets into trust and grant his wife an interest in the income. The beneficiary of the assets themselves could be left to the discretion of the husband. This could enable the wife to use up her tax-free or lower-rate tax band under separate taxation, without at the same time giv*ing her control over the assets.*

This type of arrangement will almost certainly come under attack in the Bndget. The Government's concern has also led to a wider review of the taxation of trusts, under way since last summer.

Trusts (or settlements) are ways of giving away assets or income without making an outright gift. They are mainly used to rednce the impact of inheritance tax, but have capital gains and income tax advantages as well.

Accumulation and maintenance (A&M) settlements are the primary tool of inheritance tax planning. Assets are usually transferred into an A&M trust for children or grandchildren. Parents or grandparents can retain control by becoming trustees. To qualify, the beneficiaries must become entitled to at least the income from the trust by the age of 25.

There is no limit to the amount that can be transferred into the trust, and no inheritance tax falls due provided the person making the gift survives for at least seven years.

A&M trusts cannot be used in cases where at the time of setting up the settlement the beneficiaries have already reached the age of 25. In these cases an "interest in possession" (or fixed interest) trust provides many of the same advantages. These are trusts in which a named beneficiary is currently entitled to the income. The difference between these and other trusts is not easy to define and is subject to complex case law.

Since March 1987 transfers into an interest in possession trust have been treated in the same way as those into an A&M trust. However, unlike an A&M settlement, anyone who has an interest in the trust must survive for at least seven years after passing on the assets, otherwise inheritance tax is applied.

The third main type, a discretionary trust, is treated differently for inheritance tax purposes. The entitlement of the beneficiaries is not specified: as the name suggests, it is at the discretion of the trustees. These are the most flexible type of trust but suffer a number of restrictions as a result.

For example, there is a limit on the amount that can be

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transferred into such a trust tax-free. The limit is £110,000 once every seven years. The contribution can be doubled if both husband and wife contribute their full £110,000. In addition, individuals have an annual inheritance tax exemption of £3,000, so this amount can be added to the trust every year. The trust *fund itself* is free of inheritance tax for a beneficiary who is not entitled to income.

Also, there is an arbitrary tax charge every ten years on the assets in the trust. However, this is not too onerous: it does not exceed 6 per cent and the trust may not be taxable at all if its assets are worth less that £110,000. It is possible to rednce the impact of the ten-yearly charge by breaking up the assets and setting np a series of trusts. There is also a tax charge when assets come out of trust, again not exceeding 6 per cent.

A discretionary trust can exist for up to 80 years, providing freedom from inheritance tax for the beneficiaries over a long period of time.

Trusts can also be used to *save income and capital gains* tax, as well as inheritance tax. Income accumulating in an A&M trust is taxed at 35 per cent, a marginal advantage over the 40 per cent higher rates band.

Any income paid out is taxed at the income rate of the beneficiary (or can be applied against the beneficiary's tax-exempt band). However, this treatment does not apply when the beneficiary is under 18 and the trust was set up by a parent. In these cases, any income paid out is taxed at the parents' top income tax rate. This therefore makes pareotal A&M trusts more tax-effective for children over the age of 18 – for example, to support them through university.

The main capital gains tax advantage of trusts stems from the *fact that interest in* possession trusts pay a CGT rate of ouly 25 per cent, compared with the 35 per cent paid by discretionary and A&M settlements. This means, for example, that a beneficiary who has a top marginal rate of 40 per cent can accumnlate gains in an interest in possession trust at a tax saving of 15 per cent.

The last Budget saw some tightening of the CGT regime for trusts. If the person who pnt the assets into trust retains an interest, any gains are taxed as if they were his.

A mixed settlement (where beneficiaries have both fixed and discretionary interests) is taxed at the higher rate of 35 per cent. This could lead to the fragmentation of trusts to ensure that the fixed interest element pays tax at only 25 per *cent. The Government has* accepted that this is an unnecessary burden and has promised to review the situation – such changes could be included in the Budget.

A second advantage is that up to the first £2,500 of gains made in a trust each year is free of tax. This is a useful addition to the £5,000 personal exemption: for someone paying tax at 40 per cent, it saves up to £1,000 of tax each year.

Besides these arrangements, off-shore settlements are a popular tool for redncing the impact of CGT. When an asset in an off-shore trust is sold, no UK tax falls due: the tax is only payable when the trust capital is paid to e UK resident beneficiary. This makes it possible to delay the tax. Also, the tax can be avoided altogether by becoming non-resident.

It is widely thought that the Chancellor will put a stop to the tax advantages of these trusts in this year's Budget. The laws relating to trusts are complex, so it is one area where it is essential to get help from lawyers, accountants or other professionals.

■ *This article was compiled with the help of Peter Bower, a tax partner at Price Waterhouse.*

Lawson could close BES loophole

IF THE experience of past years is anything to go by, the Chancellor is unlikely to leave the Business Expansion Scheme alone in this year's Budget. Nigel Lawson's most likely target is the close company – defined as one controlled by five or fewer shareholders and eligible for lower rates of corporation tax (25 per cent instead of 35 per cent). There are about 1,000 BES companies which also are close companies but, until this year, they have tended to be small issues, raising capital privately.

However, the picture has changed since the introduction of BES assured tenancy schemes which allow much larger sums to be raised. Sponsors realised quickly that they could be even more attractive by allowing investors to get tax relief on borrowed money to fund investments in close companies, while *still* qualifying for BES tax relief.

Not surprisingly, this proved popular with investors. But the Inland Revenue has long disliked close companies, and the spectacle of investors hoping to get two sets of tax relief may have *been the last straw.*

Michael Squires, chairman of the Institute of Taxation's technical committee, argues that the close company provisions "have become something of an anachronism." He points out that the legislation was introduced to prevent individuals accumulating income within a family which was liable at only corporation tax rates, rather than the then much higher personal tax rates. As tax rates have become aligned more closely, the original intention of the legislation has lost much of its purpose. While some of the earlier, smaller BES companies may genuinely have needed close company status in order to raise funds, this is less so now.

If Lawson ends the close company loophole this year, what happens to shareholders in existing close companies, particularly those who have taken out loans?

Providing your loan application has been processed within 14 days (the period required) of Budget day – March 14 – you will probably be all right for this year. Retrospective legislation is unpopular and difficult to implement. Nevertheless, judging from Lawson's zeal last year, BES Budget legisla*tion would probably come into* effect immediately, which could hit schemes open until

the end of the tax year.

However, if you are sitting back and reflecting happily that you have parted with your money already, you could still be in for a shock. "None of the close BES companies has got clearance yet from the Inland Revenue," warns Chris Hicks of Shire Trust. "That cannot happen until companies have submitted their accounts."

To qualify for BES relief, companies mnst be able to show that they are operated in a certain way. Hicks says: "More than 75 per cent of their income has to come from property. If the companies do not buy enough properties and collect enough revenne from rent, it is possible that people who have loaned will not get interest relief."

Another potential problem is where a management company operates a series of close companies. Companies could prejudice their BES tax relief if it appears they are controlled effectively by a separate management company, as close companies are intended to be run by no more than five directors with a limited number of shareholders.

What else could the Chancellor do? Steven Rowe of BES Monitoring says: "The *BES* is unlikely to be a priority this year as it is fulfilling the idea of the scheme more than ever before, although the objectives have changed." Certainly, it is helping the Government's short-term policy of hoosting *private rented accommodation,* albeit in a small way.

A number of people in the industry believe that the £500,000 limit which can be raised under the BES in any one tax year for non-assured tenancy companies is likely to be increased, probably to £1m. Treasury Minister Norman Lamont has indicated to one sponsor, Matrix Securities, that he is considering it carefully.

Well, he would, wouldn't he? BES hung on in last year's Budget by the skin of its teeth. It appears to have won a last-minute reprieve only when it was realised that it could be useful for a new purpose.

The scheme's objectives have changed a lot since it was *introduced. Having started out* as a way to raise capital for small, high-risk bnsinesses, offering a tax incentive to encourage wider share ownership, it has now become little more than a tool for Government housing policy. The Chancellor might decide that there is no longer a need for BES relief for any companies other than assured tenancies or for close companies. If so, the message is clear: if you are going to invest, do it now.

Heather Farmbrough

EXPATRIATES

Residence in the balance

IN ALL probability, the changes of greatest significance to expatriates in the coming Budget will concern the determination and effect of tax residence in the UK.

Far-reaching changes in this area were foreshadowed by a consultative document issued by the Inland Revenue in the summer of 1988. Since comments were called for by November 1, it seems most likely that some measures will be inclnded in the Budget, although whether the new rules will be effective immediately or only from April 6, 1990, remains to be seen.

Central to *the proposals* from the Revenue was the suggestion that residents' status should in future be determined purely on an arithmetical basis – in other words, how many days have you spent in Britain? Should this new method of judging residence be adopted, such crucial questions now as whether you have accommodation available for your nse in Britain, and whether your absence overseas is for full-time employment, would become irrelevant. So would the little-understood ordinary residence rule.

Under the new formula, if your presence in Britain for a tax year wes more than 182 days, you would be resident; if less than 31 days, not resident. For periods between these extremes, status would depend upon a proportion of the time spent in Britain in the two preceding years.

The formula is somewhat complicated but, essentially, if the total adds up to less than 183 days you would be not resident for 1991/92. A further consequence of this rule would be that you could spend 120 days regularly in the UK while remaining non-resident.

The consultative document also proposed that, in order to prevent the use of non-residence for tax avoidance, anyone *resuming residence* in Britain within a period of, say, three years should remain chargeable to tax on capital gains realised abroad if accruing wholly or in part before departure from Britain.

On the credit side, the Revenue proposed that accommodation retained for your use in the UK would cease to be a relevant factor for determining resident status. At present, anyone having such accommodation is treated as resident for the whole of any tax year in which they eet foot in the country, unless engaged in full-time employment or business overseas. This is prone to catch directors, airline pilots and others who perform substantive dnties in the UK, together with Britons retired overseas and the wives of expatriate workers.

The changes foreshadowed would also be of great importance to long-term expatriates (ie, those not resident for more than 10 or, alternatively, 15 years) returning to the UK for residence, as well es foreign domiciliaries reeiding in Britain. The *latter* now pay tax on their overseas income and gains on a remittance basis, while the former face worldwide liability. Under the new rules, both could find themselves phased into the tax system over e period of years.

This would be achieved by providing that anyone resident in the UK for between one and six years out of a 14-year period would be taxable on a new intermediate basis. The tax would be the greater amount arising either from tax on UK income and gains alone, or the appropriate proportion (rising from 5 per cent to 100 per cent) of tax on world-wide income and gains after allowing for double taxation relief.

Thus, immediately your period of residence in Britain reached seven or more years out of the 14, you would be regarded as "fiscally connected" with the UK and taxed as if permanently resident – ie, on world-wide income and gains.

Consequently, domicile would lose all fiscal residence except for inheritance tax, although an alternative solution considered the possibility that the intermediate basis should be extended only to non-UK domiciliaries. If that option were adopted, all Britons who retained their UK domiciles while abroad would, as now, be *taxable fully* and immediately on their return.

The likelihood is that the Budget will also contain other matters of more than passing interest to non-residents. Consultative documents and study papers issued during the past year may presage changes in the law relating to settlements and insurance, both of which are used extensively by expatrietes in their retirement planning.

In the case of the already existing legislation relating to the separate taxation of husband and wife, it should become clear if there are to be any restrictions on outright transfers between spouses with a view to maximising the avail*able relief.*

The Financial Secretary to the Treasury has already indicated that attempts to transfer income while retaining control over the capital will be disregarded. Subject to what transpires, married people will *then have ooe year before the* activation of the new rules on April 6, 1990, in which to arrange any necessary re-allocation of resources between themselves.

Donald Elkin

■ *Donald Elkin is a director of Wilfred T Fry, of Worthing, West Sussex.*

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
Deposit account	4.50	4.60	3.88	monthly	1	*	0-7
High interest cheque	7.60	7.90	6.32	monthly	1	1,000-4,999	0
High interest cheque	8.00	8.30	6.64	monthly	1	5,000-9,999	0
High interest cheque	8.40	8.70	6.96	monthly	1	10,000-49,999	0
High interest cheque	8.80	9.20	7.36	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	6.00	6.09	4.87	half-yearly	1	1-250,000	0
High interest access	8.00	8.00	6.40	yearly	1	500	0
High interest access	8.25	8.25	6.60	yearly	1	2,000	0
High interest access	8.75	8.75	7.00	yearly	1	5,000	0
High interest access	9.00	9.00	7.20	yearly	1	10,000	0
90-day	9.05	9.25	7.40	half yearly	1	500-9,999	90
90-day	9.50	9.73	7.78	half yearly	1	10,000-24,999	90
90-day	10.00	10.25	8.20	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	10.75	8.06	6.45	yearly	2	5-100,000	1 mth
Income bonds	11.50	9.09	7.28	monthly	2	2,000-100,000	3 mths
Capital bonds	12.00	9.00	7.20	yearly	2	100 min.	3 mths
34th issue‡	7.50	7.50	7.50	not applica.	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applica.	3	20-200/month	14
General extension	5.01	5.01	5.01	not applic.	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	9.02	9.40	7.52	monthly	1	2,500	0
Provincial Bank	9.60	10.00	8.00	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
5pc Treasury 1986-89	10.36	9.07	8.29	half yearly	4	-	0
8pc Treasury 1992	10.87	8.77	7.51	half yearly	4	-	0
10.25pc Exchequer 1995	10.29	7.72	6.18	half yearly	4	-	0
3pc Treasury 1990	9.59	8.79	8.31	half yearly	4	-	0
3pc Treasury 1992	8.48	7.85	7.15	half yearly	4	-	0
Index-linked 2pc1992§§	8.45	7.94	7.83	half yearly	2/4	-	0

*Lloyds Bank. †Halifax 90-day; immediate access for balances over £5,000. ‡ Special facility for extra £5,000 §Source: Phillips and Drew. §§Assumes 5.0 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

FINANCE & THE FAMILY

Unit trusts: **Christine Stopp** reports on the progress of MIM Britannia

Improving — but can do better

MIM BRITANNIA can be viewed as a born-again unit trust group. The original company was formed during the early days of the industry back in the 1930s but frequent mergers and acquisitions have changed it considerably since then. Along the way, it has become saddled with a reputation for poor performance and an excessively marketing-led approach. That suspicion remains even though, recently, some of the MIM Britannia trusts have been among the top performers.

But there is no doubt that the group has undergone some far-reaching changes in recent years. In May 1986, the MIM fund management group was acquired by Britannia. Although MIM was supposed to be the company being taken over, it immediately became the dominant partner in terms of investment impetus. The aim was to make MIM's strong performance record — especially in the Far East — rub off on the Britannia trusts.

Next, just before the big stock market crash in October 1987, the merged MIM Britannia group bought the County Bank range of unit trusts. These had a strong performance record in their own right, again with Pacific Basin funds tending to be the stars. The present performance record is a result of merging the three elements — MIM, Britannia and County — and managing director Nicholas Johnson agrees there is still more work to be done.

Johnson admits frankly that the group "lost its way in terms of investment performance" from 1982 to 1986. He puts this down partly to the fact that "unrealistic demands" were made of fund managers.

MIM Britannia unit trust performance
(Figures show growth over periods to 1.2.89, offer to bid, income reinvested. Bracketed figures show sector ranking. Figures in bold are in the top half of the sector ranking.)

	1 Year	2 Years	3 Years	5 Years
UK Growth(total funds)	(170)	(133)	(114)	(89)
UK Special Features	-2.4 (162)	6.4(113)	84.7(25)	— —
Smaller Cos.	20.9 (3)	46.1(4)	88.8(19)	133.8(29)
UK Equity Income(tot.funds)	(122)	(109)	(97)	(66)
Income & Growth	17.0 (6)	34.6(18)	85.1(22)	179.3(20)
UK Income	7.5 (66)	21.8(74)	62.0(77)	158.6(48)
Europe Growth(total funds)	(99)	(82)	(53)	(15)
European Performance	19.7 (58)	-22.4(64)	8.8(42)	— —
French Growth	45.4 (2)	-15.1(38)	— —	— —
Japan Growth(total funds)	(61)	(69)	(51)	(29)
Japan Performance	34.6 (2)	47.9(5)	171.1(1)	204.6(8)
Far East Growth(total funds)	(77)	(64)	(51)	(28)
Hong Kong Perf.	34.3 (16)	-25.2(63)	11.6(50)	24.7(25)

Source: Finstat

For instance, to make income trusts more attractive superficially, unsustainably high yield levels were set which it made it difficult to achieve increasing capital value. Johnson took the hard decision to reduce income yields, even though it displeased some investors.

Another cause of depressed performance was actually removed by the Financial Services Act. Britannia was always very dependent on the intermediaries who traded often in large volumes, creating turnover that was expensive for the fund and diluted gains.

But to attack the basic problem of poor performance, Johnson has rebuilt his investment team, largely by reshuffling responsibilities. MIM's new fund management style involves a team system, each one covering a market and being led by a director. A monthly performance meeting monitors results and problem trusts go into an "intensive care unit" chaired by a director. Nevertheless, turning performance round has taken longer than expected and consistency has still not been achieved. The group has at least one good performer in every major sector but often they are side by side with poor-performing funds operating in the same market.

The accompanying table illustrates this with four pairs of funds. For example, the UK Smaller Companies trust has done well over all the time periods while the UK Special Features fund has underperformed consistently. The Smaller Companies trust is an old Britannia fund merged with a County trust, and UK Special Features is a former MIM trust. The Income and Growth and UK Income trusts present a similar picture. The first is consistently good; the second consistently below the half-way mark. Both are old Britannia trusts, although the first was merged with a County trust.

How can MIM Britannia have shown such expertise in a single European market, with its French Growth trust, while the European Performance trust has always been in the doldrums? Even in the Far East sector, undeniably one of the group's strongest areas, there are some anomalies. Japan Performance, Japan Smaller Companies and the South-East Asia trust are all at the top of their sectors while the Hong Kong fund performance has been poor.

To some extent, such discrepancies are explained by the behaviour of the individual markets in which the trusts operate, and differences in investment objectives. The picture is confused further by the merger of funds with different performance histories, and this might explain the wide discrepancies in track records. It appears that in seeking to mould a number of funds from different sources into one, the cracks are still showing through.

The group has used mergers and acquisitions as a means of maintaining its market share, and could do so again. But the cost is high. Even at the time, it was considered that the price (over £43m) paid for acquiring the County trusts from the NatWest group was very high, but the stock market crash only a few weeks later made the cost of the take-over seem exceptionally high.

Despite the rationalisation programme, MIM Britannia still has 39 different unit trusts, the second highest number after Henderson, and these require further sorting-out judging by their somewhat erratic performance. At the same time, marketing evidently still has a strong influence within the group and there has been some criticism about gimmicky funds in the past year.

From the investors' point of view, the group has a number of funds worth consideration, especially in the Fixed Interest and Far East sectors. But you should not assume that all funds in any one sector are good. A real reputation for stability and consistency is still some way off.

Diary of a Private Investor

Pre-Budget prudence

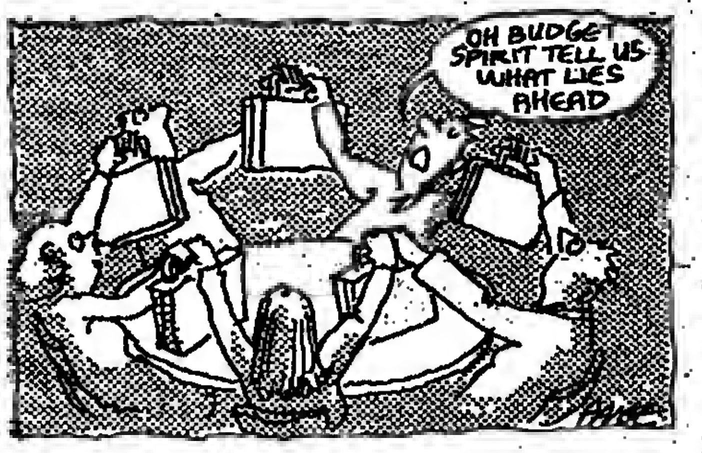
AS A PRIVATE investor, I have been reviewing my assets and financial situation to see if I should take any particular actions to try to avoid being made worse off by possible measures in the coming Budget.

For example, the Wider Share Ownership Council has been urging Chancellor Nigel Lawson to "reshape" Personal Equity Plans (PEPs). Apparently, the council wants the Chancellor to give tax relief at the time an investment is made in a PEP, instead of the present system under which the tax breaks are given when the PEP is "cashed in" after the qualifying period.

This suggested change seems, to me, to be misguided. PEPs surely were designed to encourage investment in smaller and more speculative companies rather than in large, pedestrian shares. Both my wife and I have used our PEPs to buy certain highly speculative shares — some of which have already more than doubled in price.

What is it better to have? Tax relief on an initial investment of £3,000 (£1,200 if you are a 40 per cent taxpayer), or a tax-free capital gain that might be a great deal more than £3,000 when the PEP is cashed in?

Just in case the Chancellor follows the council's advice — which is backed, I must admit, by many groups selling PEPs — I have already taken out a PEP for 1989 under the old rules. Hopefully, the Chancellor will retain the present PEP system, and, possibly, increase



the maximum amount that can be invested each year from the present ceiling of £3,000. If so, I will then top-up my PEP investment.

Looking at other possible measures I note that, in each of his Budgets so far, Lawson has abolished particular taxes. Last year, it was capital duty and the unit trust instrument duty. Perhaps this year he might abolish stamp duty on purchases of shares and houses. This would do much to re-encourage interest in buying shares and help to revive the flagging property market. I am, therefore, waiting to see what happens in the Budget before making any more major investments.

Last year, the Chancellor announced that from April 6, 1990, husbands and wives will be taxed separately on all their income. Thus, from that date onwards my wife and I will have our own separate capital gains tax exemption limit. If my wife did not already have a significant investment portfolio of her own, I would have transferred some of my shareholdings to her — just in case the Chancellor announces in the Budget a cut-off date for such transfers.

Meanwhile, I have also reviewed all my own and my wife's life assurance policies and other insurance-linked investments. If we had not been insured adequately already, I would have increased our insurance cover, as premiums are likely to increase (or guaranteed payments from insurance companies decrease) if the Chancellor decides to take away some of the tax benefits of fund managers.

With inflation now running at 7.5 per cent, Lawson might well be reluctant to take another 1p off the basic rate of income tax. It also seems likely that high interest rates will remain for the time being and that consumer spending (except on groceries) is unlikely to increase very much in the near future. So, I will continue to avoid shares in consumer electronics manufacturers and retailers, and overseas package holiday operators.

One special personal plea to the Chancellor. Earlier this month, my mother-in-law died in Malaysia and my wife had to leave me with our two young children while she went to Kuala Lumpur for three weeks. I had, therefore, to seek the services of a nanny.

My wife assists me in research work. If I had employed a temporary researcher while she was in Malaysia (or even a secretary), the services of such a person would have been tax-deductible — yet, the cost of a nanny cannot be deducted against tax. I think this is ridiculous. Nannies provide just as valuable a service as any other employee, and tax-deductible nannies would encourage more women to continue with their careers and assist one-parent families greatly.

If the Chancellor does decide to provide such tax relief, then I would be very interested in any business expansion schemes for nanny training schools and new nanny agencies since, if my initial experience is anything by which to judge, there is a great need for such organisations.

Last year, when announcing a large increase in the taxation of company car perks, the Chancellor said that "the scale of under-taxation is so great that it cannot be put right in a single year." I had hoped that this would lead to a decline in the sales of cars like Mercedes, so that their dealers would be much more open to "bargaining." Unfortunately, this did not happen, so my wife had to retain her old car for yet another year.

If the the Chancellor follows through his 1988 comments, this year's Budget should include further action against those perks. Then, hopefully, prices of Mercedes might fall to the lower levels available already on the Continent. My wife is keeping her fingers crossed.

Kevin Goldstein-Jackson

Assets won't be seized

MY SON-IN-LAW is about to set up a printing agency to liaise between customer and printer. He is at present employed as a rep by a printing firm in Liverpool. Should he have the misfortune to go bankrupt, would my daughter's assets be seized? Over a period of years, I have bought premium bonds in her sole name to the maximum of £10,000. We have a good relationship and she would, if caution demanded it, ask for repayment of the bonds and reimburse me.

■ Your daughter's assets would not be liable to be taken in execution on her husband's bankruptcy if she herself takes no part in her husband's commercial venture and if she keeps her assets separate from his. The husband's share in joint property would be liable.

Payoff was too small

UNTIL RECENTLY, I was a director of a company acquired by take-over. I had no part in this. I resigned my position on terms which, at the time, seemed generous. I now find that had I relied solely on my rights at law in terms of redundancy, and terms of my employment contract, I could possibly have had a substantially higher settlement payment.

Can I re-open this matter, or does the fact that I signed "in full and final settlement of all claims against the company" preclude me from the legal rights I believe I would have had?

■ We think that the term which you quote of accepting a full and final settlement will prevent your re-opening the matter unless you were not given an opportunity to take independent advice before signing the severance agreement.

A farmer won't pay

FOR THE past 10 or more years, I have sold the keep on part of my land to a local farmer from January 1 to November 30. In 1985, the agreement for this sale was renegotiated by mutual agreement on the following basis:

I paced-out the approximate acreage as 31, and both sides agreed to accept the figure as 30 acres as neither wished to go to the expense of a formal survey. The rate was fixed at £55 per acre for the 11-month keep, index-linked for the future. The farmer was told that if he wished to check the acreage either himself, by pacing, or professionally, he was welcome to do so.

Last August I decided to sell the land in question by auction in October, with vacant possession on December 1. With this in view, I (a) instituted a professional survey, and (b) gave the farmer formal notice that he would be unable to have the keep any longer.

The actual acreage was found to be 26.4 and this was duly sold without (undue) incident, as arranged. However, on rendering my invoice for the keep at the end of this period, the farmer has cried "foul," claiming he is not prepared to pay for an incorrect acreage.

I maintain that as both sides had accepted an ad hoc acreage of 30, and in the absence of any request for renegotiation, this agreement was still in force on January 1, 1988, when the 11-month period began and we were therefore quite correct to compute the charge in the manner already agreed and accepted.

■ We think the farmer's complaint, although understandable, is not justified in the circumstances as he was given an opportunity to check the acreage — and, indeed, has always been in a position to do so.

Copyright infringed

I PLAY THE stock market. Last year, I started putting together an "investment library" in the form of clips from the financial press — company news, comment, etc. I find that I now have files on more than 2,000 companies.

To try to recoup some of my expenses, I thought of offering to provide others with photocopies of files for a small fee. But would I be infringing copyrights by doing so? Would I be in the same category as a press cutting agency, and does such an agency have to obtain permission to reproduce material and pay a fee?

■ We think that you would be infringing copyright if you do not obtain licences from the relevant journals to use cuttings or reproductions of their material.

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Disclaimer is legal

WHEN A GARDEN supplies merchant delivered a load of sand and peat, his driver had to manoeuvre the lorry in my yard. In so doing, he drove over a manhole cover (cast iron) shattering it completely, and also cracked the ringed flagstone covering a well.

Relying on a disclaimer in small print on his quotation — which reads: "Lorry ordered off High Road at customer's responsibility" — the merchant denies liability and maintains I must seek compensation under my household insurance (if any). However, in a gesture of generosity he agreed to replace the manhole cover. But that was in July, and every week when I phone him he says: "Don't worry, just rely on me."

Well, it seems he just intends to wear me down so that I pay to replace the covers. If I do this, and then take him to the Small Claims Court to recover costs, would the disclaimer be an effective defence for the merchant?

■ We think that the disclaimer would be effective in this case.

Breach of covenant?

I LIVE ON an open-plan estate. The deeds of my property prohibit parking or garaging of any vehicle between the roadway and any dwelling house. Further, having a caravan anywhere without permission is not allowed.

A neighbour changed an in-built garage to become a living-room and now almost continuously parks a three-ton horsebox (complete with living accommodation) on the drive leading directly to the former garage.

Both houses were built at about the same time and are on opposite sides of the road to each other, but my neighbour claims to suffer no such parking restrictions.

Is it possible to check that this is correct? I have written to the developer but so far have received no reply.

■ Strictly speaking, there is no direct way to find out if your neighbour is under the same restrictions; but if you consult a solicitor and get him to write to the neighbour alleging an infringement of the covenants, and threatening an injunction, you will probably be able to prompt disclosure of the neighbour's title.

FINANCIAL TIMES SURVEY

Sales figures suggest that the Government is succeeding in shifting the pensions burden on to the private sector, writes Eric Short. Yet the full message appears not to be getting through. Too few people are making use of the new freedom to provide for their old age.

PERSONAL PENSIONS

ALSO IN THIS SURVEY

☐ *Illustration: Ann Chasseaud*

Not as cheap as you think

LIFE COMPANIES operating in the UK issued more than 1m personal pension plans in the last six months of 1988, for total premiums, excluding rebates and incentive payments, of £809m.

This was revealed recently by Mr Roy Brimblecombe, chairman of the Life Insurance Council of the Association of British Insurers, when he announced last year's new-business figures.

On the face of it, the picture is one of success for the Government's new pensions strategy,which was launched last July with personal pensions as its the centrepiece. The objective was wider pensions ownership, to accompany the philosophies of wider home ownership and wider share ownership.

Wider pensions ownership was based on wider pensions choice, with employees free to make their own arrangements through personal pensions, outside the schemes of the State and their employers. In particular, the Government's aim was to reduce substantially the role of the State in pension provision by getting employees out of the State Earnings-related Pension Scheme (Serps), so that, at some future date, it could be wound-up.

Personal pensions are available to employees to contract out of Serps; as an ordinary pensions contract; as a vehicle for transfer payments from a previous employer's company scheme; and as the only pensions vehicle for the self-employed.

New-business figures from individual life companies show that a high proportion of their sales are personal pension contracts used to contract-out of Serps.

The Prudential Corporation, Britain's largest life company, reported that, in tha six months after the new-style personal pensions became available, it issued 220,000 appropriate personal pensions (APPs) and 80,000 ordinary personal pensions. But only 25,000 employees took both an APP and a top-up personal pension.

So it would appear that well over half the personal-pension contracts sold by the end of 1988 were appropriate personal pensions used to contract out of Serps, suggesting that the the Government's first objective of reducing the numbers of employees in Serps is being achieved.

Life companies and intermediaries, having discovered how popular AAPs are with employees and employers without a mainstream pension scheme; are now launching another major promotional push. The Pru is spending £4m on its current TV advertising campaign.

The theme of the campaign is that APPs are literally "something for nothing" for employees not in a company pension scheme. The employee gets the tax relief and incentive payments, and neither he nor his employer has to put his hand in his pocket, write a cheque or sign a direct debit. There is no other savings contract available where the individual does not first have to make a cash payment in order to get the investment return.

In addition, as a one-off concession to get personal pensions started, the Government is allowing eligible employees to take out APPs relating to the financial year 1987-88. But the contracts must be effected in the current financial year.

Life companies and intermediaries will be disappointed if they cannot repeat the 1988 sales figures by April 5. However, the indications are that employees are not enthusiastic about contributing to a personal pension on top of the contracted-out policy.

There is a danger here that employees will get the impression from APPs that pensions are cheap, when in reality they are expensive. An employee who accumulates just a succession of APPs will find that the pension secured will keep him above the poverty line, but will come nowhere near a pension of two-thirds of final earnings.

There is a parallel with the Government's privatisation issues ahead of the October 1987 crash, encouraging wider share ownership. Too many investors were lulled into the comfortable feeling that one could not lose out on equities. People held portfolios consisting of small amounts of privatised company holdings and considered that had a spread of investments. Privatisation did not prepare them for the full implications of equity investment and the need for a diversified portfolio.

Similarly, APPs are not preparing employees for the need to plan their pensions properly and to make significant annual contributions from their earnings. The best-advice requirements of the Financial Services Act obliges intermediaries who sell personal pensions to explain the situation fully. But the message does not appear to be getting through to employees – or, more particularly, to employers.

Many personal pensions are being sold on a group basis through employers, usually small ones with a few workers. But many such schemes provide no more than contracted-out benefits, which do not cost the employer a penny extra. Even though, under the best-advice rules, employees should be told individually of the position, there is a risk that they will feel their employer is looking after them completely.

Intermediaries say that, once an employee has taken out a pension contract, they will contact him regularly to explain the situation and, if possible, persuade him to make fuller pension provision.

Life companies report large volumes of business from employees investing transfer sums from previous employers' company schemes. Though this is profitable to both sides, it does not represent new pensions money, simply a transfer from one sector to another.

Finally, where ordinary personal pension business has been effected, life companies have not indicated any split between employed and self-employed. However, the Prudential's figures suggest that few employees undergo a proper pension planning exercise.

There needs to be more evidence of employees taking the opportunity offered by wider choice and showing concern for their old age. If they do not make adequate provision, then, when the time comes, they will turn to the Government for financial help.

Ironically, the reason given for the radical changes in the pension environment was the projected high cost of Serps from around the year 2020. That cost could still be a burden in the next century, yet the Government is leaving promotion of personal pensions to the life companies.

The widening of choice included the end of the life companies' monopoly in personal pensions. Banks, building societies and unit trust groups can now market them, too. Life companies were not unduly perturbed about this. They felt that it would be a long time before any other institution could challenge their dominance – and that is proving correct.

Abbey National Building Society, which adopted a high profile in personal pensions, admits that the business was far slower to take off than it had anticipated. It found that most people had only a hazy idea of their pension situation, anyway. It is not easy to convey the advantages of contracting out of Serps if employees do not realise what Serps is and that they are in it.

Building societies have acted as intermediaries, rather than as providers, either independent or tied to a life company. Some are now promoting strongly their pension advice services.

Unit trust groups have been slow to enter the market, primarily because most have a life-company connection. Those that have no such connection, including NM Rothschild, Fidelity and Gartmore, have entered but have found the regulations extremely time-consuming. They have decided to be niche players, rather than challenge the life companies head-on.

Midland Bank decided to enter the personal pensions market through its unit trust operation rather than its life company. It sold more than 16,000 personal pensions in their first six months: half were contracted-out only; another quarter were contracted-out plus top-up.

This may seem minute beside life company sales. But it could be the base for a major challenge in a few years' time.

HOW THEY WORK

Like a tax-free savings plan

A NUMBER of life companies are spending millions of pounds promoting personal pensions on television. These 45-second slots tell viewers how to get something for nothing (and for once this message is correct), but they do not explain what personal pensions are, their advantages and their pitfalls.

The concept is simple. They are essentially savings contracts, available to almost everybody between the ages of 16 and 75 who has earned taxable income, which operate under favourable tax-exempt conditions. The accumulated sum is ultimately used to buy an annuity.

However, the authorities and the providers have turned this simplicity into a complex contract that cannot be explained in a few words.

Personal pensions come in two forms: *appropriate personal pensions*, available to employed people only as vehicles for contracting out of the State Earnings-related Pension Scheme (Serps); and *personal pensions*, available both to the employed and the self-employed. They are different and separate contracts, each with its own specifications, even if they are sold together by an intermediary to his client.

Appropriate personal pensions

Contributions: APPs are single-premium contracts. Employees have to effect a new contract each financial year. Since APPs are used to contract – out of Serps, the contributions are the National Insurance rebates – currently 2 per cent of band earnings from employees and 3.8 per cent from employers. Band earnings are earnings between the lower and upper earnings limits, currently £2,132 and £15,860 a year respectively, increasing to £2,236 and £16,900 for the next financial year 1989-90.

Employees' contributions are eligible for tax relief, at the basic rate only, paid in the form of a tax credit to enhance the contributions.

Where an employee has not previously been a member of a contracted-out scheme, or has been a member for less than two years, the Department of Social Security will make an incentive payment of 2 per cent. The precise rules for eligibility for this incentive payment are complex.

Thus the total contribution to an APP will be 8.46 per cent of band earnings, including the incentive.

The employee is not required to make any arrangements for payment of the contribution or reclaim the tax relief. He and his employer completes the form setting up the APP, which is then sent to the personal pension provider.

The employer deducts the full NI contribution in the usual way; and the DSS separates the rebate, collects the tax credit from the Inland Revenue, adds the incentive payment, if applicable, and pays the money to the provider at the end of the tax year.

An APP is a salesman's dream. It does not cost his client any money – he or she would have paid tha rebate anyway. The client does not even have to write out a cheqoe or sign a direct debit form. And the Government adds 2 per cent.

Normally, there is no carry-forward or carry-back provision. A year's contribution is lost once the year is over. However, as a one-off concession, employees may carry forward the contribution for 1987-88 to the current year.

Investments: Employees can effect only one contract each year with one provider, though they can change providers each year, transfering any existing APPs if desired.

There is no restriction on the type of underlying funds. They can be deposit-based, with-profits or unit-linked to specific funds or managed funds. In theory, the investment can be split between funds, subject to the individual provider's minimum investment.

Benefits: Since APPs are a replacement for Serps, the benefits must conform to the Serps pattern. Thus the accumulated value of the savings must be used to buy a pension at the state retirement age of 65 for men and 60 for women. There is no cash sum benefit.

The annuity can be bought from any life company. But it must be on a unisex, unistatus basis, providing a 50 per cent spouse's pension even if the employee is single, and increase by 3 per a year or by the rise in the retail price index, if less.

Charges: There is no restriction on the level or amount of charges.

Personal Pensions

Contributions: The maximum contributions that can be made to a PP are based on age:

Age	*% of Earnings*
50 or less	*17.5*
51-55	*20.0*
56-60	*22.5*
61-75	*27.5*

Employers can pay some or all of these contributions, but there is no legal obligation to pay anything. There are provisions for carry-forward up to six years and carry-back to the previous year.

Tax relief is granted at the investor's top rate. Employees get basic rate credited automatically by paying contributions net of basic rate tax. Any higher rate tax relief is obtained through adjustment of their tax code.

The self-employed pay contributions gross, and adjust for the tax relief in their final tax return, as previously.

Investments: Individuals can spread their contributions among as many providers and with as many contracts as they wish, subject only to the providers' minimum contribution

Continued on next page

MARKETING

The campaign hots up

IN THE wine bars of deepest Soho, capital of the world of advertising, the Government's proposals to widen the ownership of personal pensions must have been greeted with open arms.

Not that ad men were rushing to leave their company schemes, but the realisation quickly dawned that this was one of the biggest marketing opportunities in the financial services sector.

And so it has proved. Last year, for instance, Prudential spent £7m on advertising in the single biggest financial services marketing campaign ever. And the campaign is just hotting up again, as time runs out for taking advantage of the government rebate by contracting out of the State Earnings-related Pension Scheme (Serps).

It is almost impossible to assess the success of the past year's campaigns, because one does not know how much pensions business would have been done without the expensive promotions. But all marketing men admit that pensions are difficult to project – one can conjure up an image of, say, toothpaste or coffee, but pensions are an abstract concept.

They are seen as dull, boring, complicated, unintelligible – the sort of thing most people only worry about as they get 'older. Unlike mortgages, pensions are not a demand product – they have to be sold.

A Gallup poll conducted for Abbey Life last August found that only four people in 10 had heard about the chance to opt out of Serps and choose a personal pension, and that fewer than four understood the implications.

Although two-thirds of 925 people questioned claimed to be concerned about their pension, less than half had given it much thought, and four in 10 did not know what proportion of final earnings they could expect to receive. This suggests that most of the early campaigns had gone right over the heads of the general public.

"I suspect a lot of the advertising was not effective," agrees Peter Emms, marketing director of Allied Dunbar. "A lot of companies were simply talking to themselves rather than to consumers. It is a very difficult message to get across, particularly on television – it is easier in the press. You have to keep the message very simple on TV."

Tony Reardon, from Allied Dunbar's pensions department, adds: "I'm not convinced that employees will buy a personal pension just because they have seen one advertised on TV. The push really needs to come from their own company. The way to really get through is to persuade an employer to let you talk at work to his employees."

As if it were not hard enough to sell personal pensions, the repeated delay of their introduction made it far harder to plan marketing campaigns. Originally, personal pensions were to have appeared in April 1987, but the date was put back to January and then to July 1988. Prudential had already set up a new grada of pension consultant, only to find there was nothing to sell. It was difficult to plan computer systems and book TV studios; and because the rules kept changing, so did the marketing slogans and explanatory literature.

But, as the launch approached, the marketing men split into two camps: those who felt they should concentrate on promoting the name of their firm, and those who felt they should push their own brand of pensions.

Allied Dunbar, which spent £5.5m on general marketing, opted for general advertising, "because we are still adapting to the Allied Dunbar name and identity," explains Mr Emms. It adopted the slogan, "We open our ears before we open our mouths".

Still too old — but most viewers aren't

Prudential also wanted to convey to intermediaries that it was going into the pensions business in a big way, and that it would give 100 per cent support – for instance, by providing videos that could be shown to customers in their homes.

Prudential is the largest insurance company in the UK, and its market is wide and not particularly affluent. "We're really looking at people who might leave the state scheme – we were not encouraging people to leave good company schemes," says Mr Alan Smith, who believes that an increase in market share over 1988 was a direct result of the campaign.

Prudential found that its TV advertisement featuring Griff Rhys Jones was successful, perhaps because people recognised him and enjoyed the commercial. However, its more subdued Greenhouse ad, last June, in which pensions were discussed in low, gentle voices was less effective. "Perhaps it was because you couldn't see people's faces, only hands making a cup of tea and holding secateurs," suggests Mr Smith.

Nevertheless, new premium business increased by one third. Some 220,000 contracts were written by Prudential for people opting out of Serps and investing the resulting rebate in personal pensions, worth around £110m.

Guardian Royal Exchange took a different approach from Prudential. After talking to its advertising agency, Collett Dickinson Pearse, it decided to concentrate on the brand rather than the company. GRE's market research indicated that villas or yachts in Spain and talk of tax-credits were unsuitable for an advertisement for pensions. However, the angles of portability and being better off outside Serps were important.

To emphasise this, it came up with the name "Choices" early in 1987: this included five pension products. "We decided to have a new cover for the marketing literature," says Mr Richard Wood, marketing executive. "Something more friendly." So photographs of some "ordinary" people were put on the front of the literature, written by an external sales agency, Salesline, rather than internally. "We wanted it to be easily read by outsiders," explains Mr Wood.

Tha theme of last year's TV campaign is a pensioner, played by actor Norman Lumsden, going into the office of a financial intermediary, who sums up the main advantages of a personal pension, but then tells the pensioner he is too late. The current campaign shows the same pensioner, ghetto-blasting and leather clad, getting all fired up – only to be told again that he is too old.

When the ad was first run, in July last year, GRE took 1,200 calls in the three days immediately after the campaign. It hopes for 10,000 responses to the current run. Should the take-up rate be similar to that on GRE's "Freedom" life assurance campaign – 40 per cent – Mr Wood would be laughing all the way to the bank.

Heather Farmbrough

PERSONAL PENSIONS 2

Regulation: Eric Short unravels the complex system that has evolved

Profuse rules have clouded investor protection

LAST YEAR's pension changes coincided with the implementation of the 1986 Financial Services Act.

Throughout discussion of the new framework, and during the passage of the 1986 Social Security Act, it had been emphasised that marketing controls for personal pensions would come within the provisions of the Financial Services Act.

These make it illegal for a person or firm to market, advise or deal in investments without authorisation. But a rather ambivalent attitude is taken towards pensions.

Company pension schemes are not investments in themselves, though the underlying investment management is an investment activity.

All products from life companies and unit trust groups are investments. Personal pensions from other institutions based on equities, or with an equity element, are investments; but deposit-based personal pension contracts from building societies are not.

Authorisation is granted to individuals and firms that meet the required standards of integrity and competence.

The FSA also introduced two important basic principles into investment advice and marketing – "know-your-customer" and "best advice".

Pensions are complex contracts. The requirements of the FSA ensure that the intermediary is an expert and that he will fully ascertain a client's circumstances and needs before making a recommendation. If an employee would be better off remaining in his company pension scheme, the intermediary must say so.

However, the Act goes much further, and a comprehensive regulatory system has evolved, governing every aspect of pensions marketing.

The Act is administered by the Securities and Investments Board (SIB), with the financial services sectors directly controlled by five self-regulatory organisations, and the major professions by their own recognised professional body.

These bodies have produced extensive rulebooks, and rules are still being formulated. In the process, the regulators have tended to lose sight of legislation's original objective – protection of the investor.

The principle behind the rules for marketing investments was that every detail of a contract should be disclosed to the client and readily understood, so that he could compare contracts and decide which was the most suitable for his needs. Thus, for personal pension contracts, he would be told the underlying investment funds, the charges, and the transfer value of the contract over the first five years.

Life companies and unit trust groups have always disclosed the charges and investment funds on their contracts. The problem is that their charging structures are complex, and can also contain hidden charges.

The regulators have no power to impose a standard charging structure, but they are trying to impose a standard form of disclosure – and getting into complications in the process.

With-profits contracts have served investors well for decades, but the concept is proving a nightmare to regulate, because the underlying principle is the pooling of risks, expenses and investments.

The SIB is still formulating the final disclosure rules. Meanwhile, personal pensions continue to be marketed without disclosure requirements, and so far there are no reported cases of abuse or confusion.

The disclosure requirements do not apply to deposit-based personal pensions from building societies. During discussion of the 1986 Social Security Act, it was emphasised that there would be equivalent controls on deposit-based personal pensions. The Department of Social Security published a discussion document some months ago, which touched on the subject, but which seems to have disappeared.

Most attention has been focused on the disclosure of commissions paid to intermediaries. The controversy that has arisen starts with another requirement of the FSA, known as polarisation. This requires intermediaries who market life-company and unit-trust products to be either independent and cover the whole market, or representatives of just one company and deal solely in its products.

Independent intermediaries are required to disclose the amount of commission received on the sale of a pension or any other life-company or unit-trust product – this is known as "harsh disclosure". But if they are being remunerated in accordance with an industry maximum-commission agreement, then they need only disclose this fact – "soft disclosure". However, company representatives are under no obligation to make an equivalent disclosure.

This commission agreement will come to an end by 1990 at the latest. The SIB proposes that a modified form of harsh disclosure should then apply, in that the investor would be told after the sale the amount of commission paid in percentage terms. But the SIB is adamant that company representatives shall not be required to disclose their remuneration.

Many independent advisers are switching to become tied agents for a variety of reasons, including the avoidance of disclosure.

This means that someone buying a personal pension through an intermediary needs to remember that the intermediary is being remunerated by the life company in some form and that the remuneration is high. Attention needs to be paid to the charges and expenses from the life company or unit trust group.

Finally, the financial services rules impose tight restrictions on advertisements, so that no provider can make sweeping claims about performance. The rules set out the manner in which illustrations of pension benefits at retirement are produced. Since each company produces the same illustration, it cannot be used for marketing purposes.

THE ADVISERS

Busy? Then ask a professional

PENSION planning means far more than putting a few pounds a month or a few hundred a year into a pensions savings contract, selected from the latest advertisement, and then waiting for retirement.

To ensure an adequate pension, a number of decisions are required at various stages of a continuing exercise:

□ What contribution should be made from each year's earnings?

□ A review of the nature of the underlying savings contracts in which to invest the contributions, including an assessment of the risks and rewards attached to each type of contract – deposit-based, with-profits, equity-linked, managed fund, and so on.

□ Discussion with the individual of his objectives and the level of investment risk he is prepared to accept, so that a balanced portfolio of pension savings contracts can be set up.

□ Selection of providers for the chosen types of pension savings contracts.

□ Advice on the timing of retirement.

□ Consideration of the types of annuity to be bought with the accumulated pension savings – a level annuity or an increasing annuity, a pension for the individual's spouse, and so on.

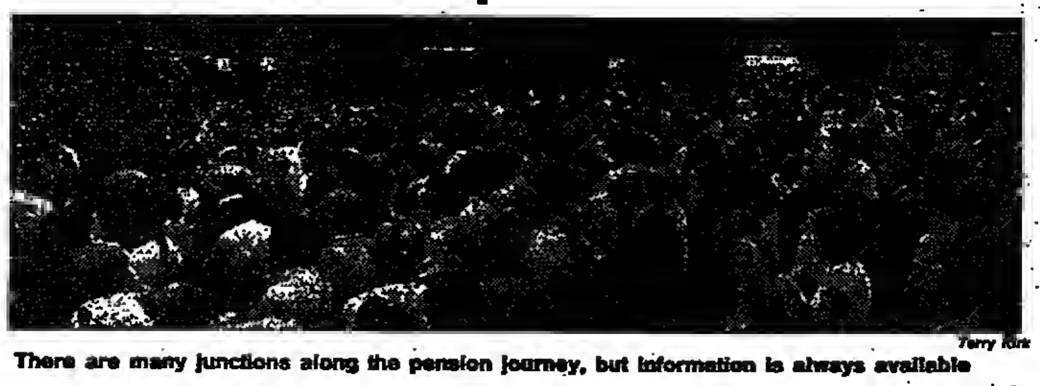
□ Selection of the life company that offers the best annuity rates.

Few people, whether employed or self-employed, have the expertise to assess these factors, nor the time to acquire the expertise and put the decisions into effect, so the need for professional advice and guidance is paramount to ensure an adequate pension.

It needs to be emphasised that personal pensions from a life company or a unit trust group are classified as investments under the 1986 Financial Services Act. Basically, the Act requires that any person or firm advising or arranging investments (and this includes most personal pensions) must be authorised to do so. Authorisation from the appropriate body is granted only when individuals and firms can conform to required standards of integrity and competence.

One feature of the Act, known as "polarisation", requires intermediaries who deal with life, pension and unit trust products to be either independent and to cover the whole market, or to be the representatives of just one life company or unit trust group and deal only in that company's products. People seeking pensions advice should ensure that they understand the precise role of their intermediary.

For the self-employed, one obvious adviser on pension matters is their accountant, who is ideally placed to help his client decide how much should be set aside each year towards a pension.



Terry Kirk

There are many junctions along the pension journey, but information is always available

However, it may not be as straightforward for the accountant to advise on the type of investment contracts or the choice of life company or unit trust group. The professional accountancy bodies require all firms to be independent under the polarisation rule, but it is a daunting task for one person to be familiar with the complete market of over 100 life companies and another 150 unit trust groups.

The major firms have separate financial planning departments, or a subsidiary company with the necessary research facilities to monitor the market.

Smaller accountancy firms do not have the resources for a separate advisory company or to cope with in-depth research. They will have either one or two partners who specialise in investment services, or have links with firms of independent financial advisers to which they will provide introductions.

Another obvious source of advice for the self-employed is their solicitor. These are in a similar position to accountants, in that the Law Society requires them to be independent. However, the society has arranged for a leading insurance broker and independent personal financial advisory firm to provide the required back-up in research and advice, in addition to solicitors' own arrangements.

A third source of advice for the self-employed could be the insurance broker who arranges their business insurances. Most brokers have a life and pensions operation, again operating as an independent adviser.

However, the employed person does not normally have such regular contacts with accountants, solicitors or insurance brokers. Another major source of pensions advice – for employees, too – is the life company salesman or the tied agent. Pensions still have to be sold. The product is not demand-driven like mortgages. Company salesmen and tied agents get out among employees and sell pensions. The two most successful life companies in the new personal pensions market are Prudential and Allied Dunbar – both direct-selling companies.

However, company salesmen and tied agents are, as their titles imply, company representatives, even if they trade under their own name. They may only be able to sell their tied company's products, but that company invariably gives its agents a thorough training.

Company representatives provide high-level expertise, but the backing investment performance may not be top-of-the-table, and the products may be expensively priced.

Independent advisers are required to deal with the whole market, so they should be able to offer reasonably priced and top investment products, assuming that they have been able to keep abreast of market conditions and changes.

The clearing banks have always provided pension advice through their branch network. Most are tied agents to their own in-house life and unit trust operations, so the branch manager would only be able to deal in those products. For customers requiring independent advice, the banks also have a separate independent advisory company.

Building societies are expanding their services to offer pensions advice. The small and medium societies are invariably tied agents of one life company, but the majority of big societies are currently independent advisers, the exceptions being Abbey National and Cheltenham &

Most major societies are reviewing their decision to be independent, and many are expected to switch to being tied.

Eric Short

INVESTMENT STRATEGY

Ways to control the risk

SOMEBODY, somewhere, had to retire on October 19, 1987, the stock market's Black Monday. That was potentially awkward for somebody with a personal pension contract. And, who knows, you might have the misfortune to turn 65 and become a pensioner at the very bottom of some future bear market.

But there is an answer. There would only be a serious problem if you had the lack of foresight to protect yourself against the possibility that your retirement fund would have to be liquidated at low prices, with adverse effects on your standard of living in your old age.

Normally there is a balancing effect, so that when share prices are low, interest rates are high. Therefore the size of the annuity purchased is not too badly affected (though, of course, any cash lump-sum will be hit). On Black Monday, however, even this offset did not come to the rescue. As shares plummeted, gilt-edged interest rates fell, too. In a double whammy, new pensioners stood to lose on both the swings and the roundabouts.

Employees in conventional occupational pension schemes, which provide benefits linked to final salaries, are insulated from such hazards. Company funds are long-term in nature, so that the ups and downs of the markets can, in normal, circumstances be disregarded.

Personal pension plans can also largely overcome these risks when they are bought from insurance companies which operate on the traditional with-profits basis. Such plans carry a low guaranteed annual return, but also receive a variable bonus based upon the results each year. Once declared, such bonuses cannot be removed. And there may be an extra, terminal, bonus at death or retirement.

The aim is to convert variable returns into a secure fund. It works up to a point, but the process inevitably involves some rough-and-ready justice in the allocation between different generations of policy-holder, and is not wholly satisfactory.

In recent years the emphasis in personal pensions has therefore been increasingly towards the unitised approach. This allows investments to be more directly attributed to particular policy-holders, who are offered greater choice and the chance of a say in the allocation between different specialist funds. The trend has been encouraged by the recent entry of unit trust companies into a field which, until last year, was the exclusive preserve of insurance companies.

With unit-linked personal pensions, a dozen or more specialist alternatives may be available. These will normally include equity funds for the UK, Japan, the US and Europe, two separate gilt-edged funds for fixed interest and index-linked stocks, a property fund and some sort of cash fund. Other specialist funds may feature, too. There will also be a managed fund, drawing on all these alternatives, for clients who do not wish to make their own choice.

The decision on how to use these separate funds, as building blocks to construct a customised portfolio to suit an individual's requirements, will basically depend on an analysis of risk and reward. It will also depend on how knowledgeable the plan-holder is about investment. Most people are happy to leave the detailed decisions to experts.

A fundamental rule of investment is that return depends on risk, which can here be defined as volatility. Very safe investments, such as cash, give relatively low returns, at least over the long term. Risky investments, like equities, provide greater returns, but at the price of high volatility.

The younger a pension plan-holder is, the more risk he can safely take. Successive bull and bear markets can be brushed aside as temporary phenomena, and the high returns from equities can be gathered in over the years. But, as he moves into middle age, the beneficiary needs to become a little more careful. If he were to die, or to be forced to seek unexpectedly early retirement, he might be caught in a bear-market trap. Finally, as he nears his planned retirement date, he must certainly arrange for his whole fund to be progressively shifted into safe, liquid investments ready for realisation.

As an example, take an insurance company, the General Accident subsidiary GA Life. This has a two-tiered approach, with low-risk funds for the general investor and a range of 14 funds for the more sophisticated client. It features a unitised with-profits fund, to the safety of which planholders can retreat when the time comes.

Gartmore, a unit trust company, has a slightly different approach. It has devised a "LifePlan" system and a Risk Rating System which grades individual funds between 0 (very low risk) and 3 (higher risk).

LifePlan systematically restructures the asset mix according to the age of the client. The shift from high risk to cash funds is achieved over a number of years, so that the equity content will fall from 90 per cent at age 30 to around 60 per cent at age 55 and zero at age 65.

To a modest extent, self-employed people have more flexibility, because they have a greater choice over retirement date. If their personal pension fund is in a bad way, they can work on for a year or two, hoping for an improvement in the markets. In fact, if they are wealthy, they may be able to choose their retirement date purely on the basis of market and tax considerations, and quite separately from their work situation.

On the other hand, employed people with personal pension plans have no such room for manoeuvre. At retirement age, they will be out of the door and forced to make the best of whatever retirement fund has accumulated. They had better get their investment strategy right.

Barry Riley

Like a tax-free savings contract

Continued from previous page

provisions. Contributions can be invested in a range of funds, with full switching facilities between funds, and between providers.

Benefits: The benefits can be taken at any time between the 50th and 75th birthdays (inclusive). There is no requirement to cease paid employment before taking the benefits, or to take the benefits because paid employment has ceased.

Up to 25 per cent of the accumulated value can be taken as a tax-free cash sum, subject to an overall cash limit of £150,000 per contract. The remainder must be taken a pension. The annuity may take any form, though the guaranteed payment period must not exceed 10 years, and be bought from any life company.

Charges: There are no restrictions, but charges must be disclosed.

Eric Short

A complete description of personal pensions, together with details of providers and contracts available, is contained in the Financial Times Business Information publication Personal Pensions 1988-89, available from FT Books, 50-64 Broadway, London SW1H 0DB, price £22.50.

EMPLOYERS' ATTITUDES

Workers who opt out face a tough line

THROUGHOUT discussion on the 1986 Social Security Act, which brought radical reforms to the UK pensions scene, personal pensions were portrayed as the bogy of company schemes, particularly of the salary-related ones.

In fact, personal pensions have proved a mixed blessing to employers. To those with no company pension arrangement, they have offered a simple means of making retirement provision for employees.

A full-blown final-salary based company scheme not only leaves employers with an open-ended financial commitment, it requires considerable administration.

A company-based group personal pension is simple to administer, and involves the employer in a known pre-determined financial commitment. It is an aggregate of individual contracts – one for each employee in the arrangement. It is usual to have a common investment medium – a managed fund or a with-profits plan – and charges are generally lower, compared with individual personal-pension contracts.

The contracted-out element poses no problem, with the employer continuing to pay full National Insurance contributions. It is also straightforward for employers to pay additional contributions, above the NI contracted-out rebate, into a group personal pensions contract. Above all, there are no problems when the employee changes jobs: he simply takes his personal pension with him.

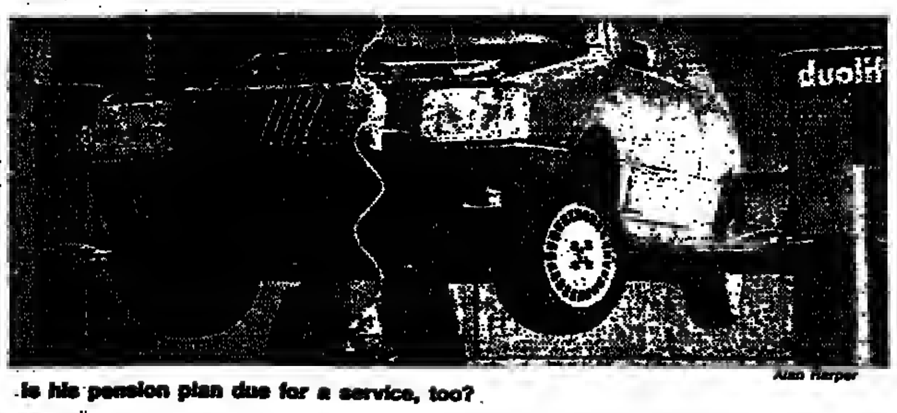
Employers who are considering a company pension arrangement should assess the relative merits of a group personal pension and an ordinary company money-purchase scheme. For those with only a handful of employees, the group personal pension arrangement is attractive.

What has been the reaction of employers who had well established final-salary schemes in place when personal pensions appeared on the market?

One major change in the 1986 Act was the ending of compulsory membership of company pension schemes. An employee can now opt out or decline to join, thus becoming eligible for a personal pension. So personal pensions reflect the wider-choice strategy of the Government.

Basically, three courses are open to employers:

- They can do nothing, and carry on as if personal pensions did not exist. This involves taking a tough line towards employees who opt out of the company pension scheme.
- They can leave the structure of the scheme unchanged, take e tough line with opting-out employees, bnt establish a strong communications policy to emphasise the benefits of the company scheme.
- Or they can review the company scheme, making changes to meet the competition of personal pensions, and communicate the benefits to employees.



Is his pension plan due for a service, too?

Alan Harper

Surveys undertaken by the Confederation of British Industry, the National Association of Pension Funds and others show that most employers have taken the second course. To most pension managers and employers with established final-salary schemes, the concept of the final-salary based pension is the best, and possibly the only, way of providing pensions has become conventional wisdom. A money-purchase arrangement is regarded not only as second best, hut dangerous, for employees.

Such employers see nothing wrong with the present structure of their company schemes; and any changes made generally relate to relaxation of entry conditions, so that employees are not left outside the scheme and thus exposed to the temptations of personal pensions.

To ensure that employees within the scheme do not succumb, many employers are wielding the big stick over any who do opt out. According to the latest CBI survey:

- 97 per cent of employers will not contribute towards an employee's personal pension.
- Over 60 per cent exclude lump-sum and disability benefits.
- Nearly 90 per cent exclude any benefits to dependents of employees who have opted out.
- Around 30 per cent will not allow employees to rejoin the scheme – another 25 per cent impose an age limit on re-entry, and the remainder usually allow just one opportunity to rejoin.

Employers do not appear concerned that such action will result in different remuneration levels for employees who do the same work, depending on whether they are, or are not, in the company pension scheme.

Employers and pension managers have realised, however, that being in competition with personal pensions means they need to "sell" the company scheme and its benefits to employees in a simple approach that is easily understood.

The arrival of personal pensions, together with employees' right not to join a company scheme, has made companies communicate more effectively about their scheme – a change from the "take it or leave it" attitude when membership was compulsory.

But few employers have taken the opportunity, offered by last year's pension changes, to make an in-depth study of their scheme; to assess whether it meets the needs of more mobile employees who want closer involvement in their pension arrangements, whether it fits in with the development of other remunerstion packages, and whether it represents the best nse of company resources. Companies that have undertaken such e review have usually found that there are defects to be put right.

In general, employees do not place great emphasis on the final-salary link until they reach 40 and start to think about retirement. Until then, they are concerned about value for money, particularly if the contribution to the company scheme is significant. So the company scheme, in many of these cases, has been redesigned to introduce a money-purchase element, which is effectively an in-house personal pension.

The next decade is likely to see further radical changes in the balance between company and personal pension arrangements.

Eric Short

TAXATION

The shelter won't be demolished yet

PENSION schemes provide the most important "shelter" for legally svoiding payment of tax on savings or investments.

Indeed, one gets the impression these days that pension plans, especially those linked with mortgages, are being sold as tax-free savings schemes rather than as a means to put money away for retirement.

Yet the Chancellor of the Exchequer, Mr Nigel Lawson, has made it plain that his overall policy is to phase out special "shelters", in favour of lowering taxation levels generally; and he is also committed to the concept of providing a "level playing field" for savings products.

So is this dilemma likely to be resolved in the coming Budget? The short answer is no, according to Graham Ward, of Price Waterhouse, the accountancy group. He would be surprised if there were any changes in the taxation of pension schemes at this time.

One problem is that there is a political priority involved. A prime objective of the recent pensions "revolution" engineered by the Government is to encourage people to contract out of the State Earnings-related Pension Scheme (Serps) in favour of the private sector. It is a form of privatisation, with the Government basically seeking to transfer elsewhere its future liability under Serps.

Rebates of National Insurance contributions are one way of achieving this aim, but the retention of tax privileges is equally important. So, unless there is a radical change of policy, the Chancellor has little scope for abolishing, or even reducing, the existing concessions for non-state pensions.

The whole purpose of the tax concessions is to encourage people to take out their own personal pensions, in order to reduce the burden on the state of looking after destitute old-age pensioners. Tinkering around with the tax concessions, so soon after the pensions "revolution" has got under way, would seem dangerous and contrary.

Nevertheless there might be scope for amendments to the basic structure. For example, the Inland Revenue is known to be distinctly unhappy about the loopholes that exist for using pension schemes to avoid tax – particularly the payment of tax-free lump sums. Fundamentally, pension schemes provide deferred tax privileges, at some cost to the Government, but the lump sums go a long way further in providing tax-free benefits.

So, in principle, the Chancellor might feel justified in deciding that lump sum payments should be limited still further or scrapped entirely, which would effectively put an end to pension mortgages. That would cause an uproar. But it would not offend the general principle of tax relief's being used as an incentive to encourage people to provide for their old age, and would stop the concessions being used to subsidise the cost of buying a house.

A far more radical solution is proposed by Philip Chappell, who played an influential role in promoting the whole idea of introducing personal, portable, pensions.

In a paper issued by the Centre for Policy Studies – provocatively entitled "Pensions and Privilege: how to end the scandal, simplify taxes and widen ownership" – Mr Chappell advocated the scrapping all the tax concessions on pension schemes and the treatment of all future contributions by companies as taxable benefits, using the money saved by the Government to reduce the overall rate of tax still further.

He argues that this would "hugely simplify" the whole tax system, and provide a level playing field for all kinds of savings.

Mr Chappell says that giving pension funds tax-exempt status has spearheaded the shift of share ownership from individuals to institutions, so that the funds now represent a much higher proportion of personal savings than in other countries.

He claims, too, that the fiscal privileges given to provision for retirement are the biggest single distortion in the savings market, and that one man's tax privilege is another man's tax hurden.

No doubt many of these arguments are music to the Chancellor's ears, and in line with his basic philosophy of simplifying the tax system and eliminating special privileges. But whether such radical proposals could be matched np with political realities is a different matter. The Government's prime objective is to encourage the private sector to take over the responsibility for looking after the growing number of retired people, who are likely to live longer than in the past.

This was underlined recently by the inclusion, in the Government's plan to reform the National Health Service, of a special new tax relief for private medical insurance policies for the over-60s. It was surprisingly generous, in that it is proposed that the full rate of tax relief on these policies be given not only to the over-60s, but also to younger relatives who huy policies on their behalf.

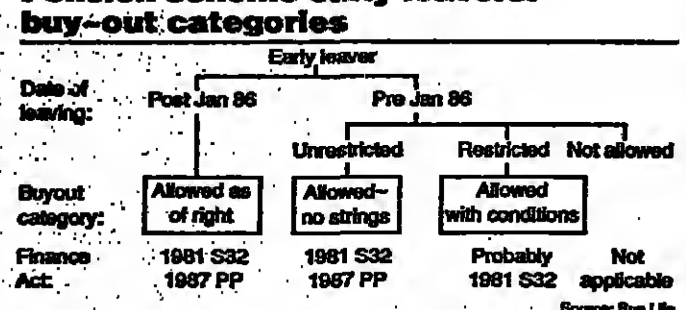
Admittedly, slightly different political priorities are involved: the transfer of health care for the elderly from the state to the private sector, in the form of the "family." But it seems difficult to imagine that the Chancellor will do much to affect the impact of the pensions "revolution" at this early fragile stage, unless it is included in a radical change of the whole savings system that overrides other political priorities.

John Edwards

TRANSFERS

The leaver's dilemma

Pension scheme early leavers: buy-out categories



Source: Sun Life

SINCE January 1986, anyone who leaves an occupational pension scheme has had a right to a transfer value of their pension benefits built up in the scheme.

Unfortunately, though, anyone who left before that critical date will only be allowed a transfer value if the trustees of the scheme agree – such ex-members have no statutory right to a transfer value.

Employees who left their occupational schemes after January 1, 1986, have considerable freedom of choice about where to move their accrued rights. Apart from the option of leaving the pension in the original scheme until retirement date, or transferring the accrued rights to the new employer (assuming that the new employer has a suitable scheme), there are basically two alternatives available.

The first is a single-premium bny-out policy, commonly known as a "Section 32" bond, after the appropriate section of the Finance Act under which they are written. The other choice, which became available from July 1 1988, is a personal pension plan.

If the ex-employer's scheme had been contracted out of the State Earnings-related Pension Scheme (Serps), then the scheme would have offered in its place what is known as a guaranteed minimum pension (GMP). Since most occupational schemes are contracted out of Serps, this point applies to most early leavers.

The legal framework covering personal pensions states that any transfer value that includes a GMP can only go to an "appropriate" personal pension scheme – that is, one that has arrangements for keeping the transfer value related to the GMP in a separate compartment called the "protected rights fund". However, although this portion of the transfer valne is protected, it does not guarantee the amount of pension it would have done under the employer's scheme or the Section 32 bond.

In the past, some trustees have flatly refused to consider requests for a transfer valne from pre-January 1986 leavers, but many are now thinking again, in line with the Government's emphasis on freedom of choice in pensions. The reason for the flat refusal was usually the need to ensure that the GMP portion of the transfer valne would continne to be guaranteed into the future, and some were afraid that dependants would sue trustees of the scheme if subsequent benefits fell short as a result of the member's choice.

Nowadays, however, the majority of trustees will probably offer pre-January 1986 leavers the option of a transfer value, in some cases on the condition that the GMP is guaranteed. This means, effectively, that many leavers are restricted to Section 32 buy-out bonds, because the personal pension plan does not give specific guarantees.

Where a Section 32 bond is selected, the trustees inform the member of the transfer value available. The member then has to find an insurance company that will take it on reasonable terms. Taking the Section 32 route means that part of the transfer value must be used to secure the GMP before options for investing any balance can be considered. Some insurance companies offer a "non profit" policy, which incorporates absolute guarantees to cover the GMP liability; others offer a modified with-profits policy, which offers scope for increasing the eventual benefits above the guaranteed minimum.

Sometimes the transfer value is simply uot large enough for any insurer to guarantee the GMP; in other cases the transfer value will not be high enough for a with-profits policy, and only a non-profit will be available. A few companies offer a mix of with-profits and non-profits. Once the GMP has been covered, however, managed or more specialist funds are available for investing the balance.

Under a personal pension, however, the only restrictions are applicable to the "protected rights" element, produced by the transfer value of the GMP. This must be accounted for separately, and at retirement cannot be commuted for cash.

It can be turned into a cash sum on death before retirement, but only if there is no surviving spouse over the age of 45, and/or dependent children. There is no guarantee of any specific amount of pension, so the money can be invested entirely in a specialist fund, or spread over several at the individual's discretion.

As far as the ultimate benefits are concerned, Section 32 bonds come under the Inland Revenne's *benefit limited* restrictions. This means that the total pension is restricted to two thirds of final earnings, including any other pension benefits, and that the most that can be taken in cash is 1½ times final earnings after 20 years of employment (limited to a maximum of £150,000 for those joining schemes after March 17 1987).

Personal pensions, however, come under the Revenne's *contribution limited* restrictions. Under this regime, the amount of cash commntation is directly related to the size of the fund. The cost of providing the widow's pension (if any) has to be deducted from the total fund.

After that, 25 per cent of the rest (inclnding that part for protected rights) can be taken as cash, although, because none of the protected rights benefits may be actually commuted for cash, the lump sum must be taken from the excess funds.

In case this all sounds too complicated to be bothered with, remember that, if you leave a pension behind in an occupational scheme, you have no investment control, and no control over the benefits offered by the scheme. Furthermore, any increase in investment return over the rate discounted in the transfer value goes to the trustees. So taking a transfer value could prove to be a great deal more interesting and, one hopes, more profitable.

Janet Walford

Editor, Money Management

MINDING YOUR OWN BUSINESS

A legal boutique for the small man

Roy Hodson on three lawyers who have found a novel way to plan for the future of their partnership

IF THE three young solicitors whose Marylebone practice, Lomasney Berwick, is just 18 months old, were content to follow fashion in the legal world, they would be busy looking for a big corporate firm with which to amalgamate. That is the route much favoured by ambitious London lawyers as they move towards the desirable goal of £40,000-plus secure incomes.

But the three partners have rejected such a temptation. They have decided tn stay small and independent – although that means they must be prepared to be considerably worse-off financially during the next few years.

Their situation, and the novel way they have decided to plan for the future of their partnership, puts into focus the dilemma facing many urban solicitors today as moves for reform in the legal trade gather pace.

Roger Berwick, 42, and Siobhan Lomasney, 33, found that they worked well together, and had similar ambitions, when they were hoth partners in a West End practice. Berwick had begun his career in Nnrwich while Lomasney had qnalified after graduating from Queen Mary College, London.

They set up as partners in 1987, bringing with them a few clients and little money but lots of drive and ambition. In their first year, they reached the budget target of their business plen almost exactly with a turnover of £90,000. By last summer, they felt that sufficient work was coming in for them to ask another solicitor – Caroline Little, 33, who Lomasney had known since college days – to become the third partner.

They sensed that change was in the air of the legal world. But, in reality, they were no more prepared than any of their colleagues fnr the far-reaching nature of the proposed refnrms that Lord Mackay of Clashfern, the Lord Chancellor, sprang upon solicitors and barristers last month.

As the three partners now read the runes, many small firms of solicitors can kiss goodbye the concept of living off conveyancing and legal aid work. In future, practices must expect to live – or die – by the quality of the range of specialist services they can offer.

So, the partners' thinking is to move in a direction directly contrary to that chosen by the large corporate firms which offer a broad spectrum of services. The idea is to develop Lomasney Berwick into a sort of legal boutique specialising particularly in services for small business clients.

They believe that their small partnership has the talent to do this because their skills complement each other. Berwick's speciality is commercial and property matters. Little is experienced in matrimonial work, legal aid and personal injury, while Lomasney handles most of the civil and commercial litigation work.

"In the fnture," says Berwick, "the critical decisions that mnst be made by a small legal firm are going to be: where are you going to be located; and, what kind of service are you going to offer?"

The partners chose Marylebone because it is very mnch a village within the West End. The larger portion of their clients is made up, as they had hoped, of businesses based in the vicinity – mainly property companies, traders, shops and restaurants.

Unlike the large legal companies, they believe they can offer a truly personal service, with the same solicitor handling the client's affairs over a period of years. That standard of service is to be the core of their boutique approach. If the Mackay reforms go through, the partners also foresee their practice developing working links with accountants, surveyors and other specialists, and probably barristers' chambers as well.

The single most difficult obstacle to their dream of establishing a West End legal practice, says Berwick, was finding premises. They eventually settled in 1,600 sq ft of basement rooms with their own street entrance in Nottingham Place. The premises had been a graphics studio and some £5,000 of their modest capital had to be spent on alterations and modern decor. Another £8,000 has been spent since moving in on furniture and office equipment. They secured their lease at £12 a sq ft but expect a hefty increase when the first rent review is due shortly.

The two original partners, Berwick and Lomasney, resisted their bank's proposal that they should put up their homes as collateral and managed eventually to get a £20,000 overdraft facility backed by insurance on their lives. They also put in £12,000 of personal capital. It was just enough to get the business started.

Now they are on course for a turnover of £180,000 in their second year. However, they have had to increase their office staff to five legal clerks and receptionists, and they are finding that a fast-expanding business is hungry for cash.

They want new computer equipment to handle clients' work. They may need to find larger premises much more quickly than they had planned. They are having to think seriously about taking on another partner, and a staffing difficulty has just arisen because Little is away on maternity leave.

Meanwhile, the partners are keeping down costs by drawing the smallest salaries on which they can manage. "But it's all worth it for the independence we enjoy," says Berwick.

■ *Lomasney Berwick, 30 Nottingham Place, London W1M 3FD (tel. 01-486-0561).*

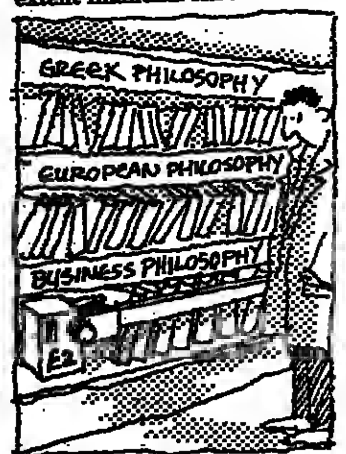
Roger Berwick and Siobhan Lomasney: drive and ambition

Wise words

ADVICE ON creating and running small businesses falls broadly into two categories: the factual and the philosophic. The Consumers' Association has managed to combine help on the two strands rather neatly in its new edition of *Starting Your Own Business*.

The philosophical is the more important strand as it reminds readers that to run your own business you need not only capital and capability but also flair, toughness, and good fortune. The "luck" factor is not stressed sufficiently in business life.

On the question of commitment, it says: "When starting a business, you should be motivated positively, not just negatively by a dislike of the job you are in, or unemployment. Your incentive should be to a large extent financial. And do not set your sights too low. From the start, your aim should be to make a reasonable living."



It goes on, uncompromisingly: "In becoming your own boss, you may find yourself working for a harder taskmaster than any you have had – one who offers unlimited working hours, uncertain holidays, and perhaps less money than you were earning before."

The virtue of this book is that it emphasises that being a small business person is not all beer and skittles. "Having What It Takes" is an apt title for the first chapter.

■ *Starting Your Own Business. Published by the Consumers' Association and Hodder and Stoughton. £6.95.*

R.H

Tim's Gothic success story

A TASTE for the Gothic has been the key to Tim Barron, aged 30, creating a £1m a year turnnver in conservatories within five years after starting with just £3,000 capital.

His business, called Crystal Palaces, looks sleek and prosperous nnw as, each week, several conservatories packed ready for erection leave a new, purpose-built factory sited improbably on the edge of the Cotswolds' show village of Bourton-on-the-Water.

The average age of his staff of 16 is only 20 and his longest-serving employee, who joined nn a youth training scheme, is still under 21. In fact, everything about Crystal Palaces, from the work force and the management to the designs and the machinery used to make them, is new and experimental.

It all hinges around Barron, who is an innovator. He trained at the London College of Printing at Elephant and Castle as a photographer, where he developed his innate sense for design. His subsequent career as a photographer was short-lived. While taking pictures of conservatories for a brochure, he decided that he could design and make much better ones.

At this point, his fondness for the Gothic style took over. It is a foudness that seems to be inspired partly hy the Roman Catholic church and partly by his appreciation of the fine engineering qualities of Gothic structures for the way in which they comhine lightness with strength.

His Gothic mood should properly have bronght his ambitions to an untimely end. Whn ever heard of a Gothic conservatory before Barron? But he happened to be on the right track. The material he chose to build his structures – glass fibre – proved to be suited admirably to the light vaultings and traceries of his conservatory designs.

Tim Barron: a turnover of £1m annually within five years of starting up with £3,000 capital

And he had tapped a market. It was soon evident that many people shopping for conservatories to enhance their gardens or enlarge their houses were looking for something different from the usual run nf glass sheds and Victorian designs.

Barron started to sell conservatories as fast as he could produce them, and has kept going at the same spirited pace since. His business comes almost entirely from publicity in the magazines dealing with posh houses and dream gardens.

Like all success stories, though, there is more to Barron than the qualities you see on the surface. His design skills have enabled him to solve the difficult manufacturing problems involved in setting up a production line for Gothic tracery. And his persistence has enabled him to overcome the technical problems involved in adapting glass fibre and resin to his production line manufacturing.

Barron and his production manager, Bill Nesbitt, 25, have built the jigs and moulds themselves in aluminium from Barron's own designs, and they have installed a double glazing production plant to their own design (the great virtue of double glazing for a conservatory being that it abolishes condensation on the glass roof that canses internal rain showers). In order to keep faith with Barron'a Gothic cnncept, they have even installed a special plant to make curved double-glazed glass panels.

Selling at between £3,000 and £15,000, the conservatories are expected to exceed £1m in annual turnover shortly. Barron is content with that progress and has on his drawing hoard a design for a Gothic tracery house window within a standard-size frame which, he is confident, can be sold for about £200 a unit – and realise another £1m turnover.

All Barron's inventiveness might not have been sufficient for Crystal Palaces, however, if Nesbitt had not had a stroke of luck. The pair sorely needed new capital to build their factory. Their local bank would not help so Nesbitt made a cold call to a branch of Barclays in Cheltenham for an appointment, and took the factory plans along with him.

After one look at the site (a half-acre of land going for £39,000), Barclays made a 15-year industrial loan of £100,000. The two men also arranged personal loans totalling £35,000 backed hy family resources, found two minority shareholders (who put up £40,000) and ordered a steel-framed factory building costing £80,000.

Barron, who owns 75 per cent, and Nesbitt, who has 15 per cent, are not taking any profits out of the business yet. But they are sleeping easier at nights as they have just had an unsolicited offer for the factory of £300,000. It was refnsed.

■ *Crystal Palaces, Spartacus House, Industrial Park, Bourton-on-the-Water, Glos. Tel. 0451-22010.*

R.H

Take the car — the resort is a mere 1,500 miles away

***John Griffiths** makes the return journey to Corfu in the family station wagon . . . . and lives to tell the tale*

THERE WAS a serious purpose in my bringing the heavily-laden family station wagon, via two ferry journeys, more than 1,500 miles for a holiday on Corfu lasting only two weeks.

The Ionian and Aegean islands, mainland Greece and increasingly Turkey are rightly popular holiday destinations. But as the drachma has sunk to make Greece and its islands more attractive financially, their price has climbed in other ways: eternal airport congestion, ever-longer flight delays and fatigued, protesting children — all culminating (so we thought) in those days-long holdups at Gatwick Airport last year.

Thus, the idea was born of a taking a car on holiday but extending the routine to reach Europe's more far-flung holiday regions.

On our return to the UK, a round trip of 4,000 road miles assumed an even greater relevance — the British Airports Authority had just issued its warning that delays would be worse this year, and that airport "tent cities" might even be set up.

Faced with such a dire prospect, is it worth taking the road alternative? The answer is "yes" — but only up to a point. The way we did it (and would do it again) costs more than flying and renting a car, takes time, and has its potential pitfalls.

The main conclusion, reached at the end of the outward leg while driving solo, is that no family which includes pre-teen children could contemplate such a trip and expect to be still talking to each other by its end. And that's on a one-way journey, never mind the return.

However, if the driver is prepared to go alone, and invest an extra three days either side of the main holiday in doing so, the rest of the family, travelling by air, will be eternally grateful — in particular for being able to travel without even hand baggage, and to have waiting for them toys, clothes, sports gear and other goods which they would not have contemplated taking by air.

COSTS(£) IN AUGUST ON SHORTEST CROSSINGS

	Car					
	Small Family of 4		Medium 2 adults		Large Family of 4	
Operator	Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
P & O	205	154	196	138	232	172
Sealink	205	148	196	140	234	176
Hoverspeed	254	216	242	204	260	222

Return journeys for more than five days. Family of four presumes two children aged 4-14 (infants free)

ANCONA - CORFU/ IGOUMENITSA/PATRAS(return)*

	Car up to 4.25m		over 4.25m	
	Peak	Off-Peak	Peak	Off-Peak
Strinzis Lines	304	386	324	402

*Family of four,inc two children aged 4-12, in cabin

Captain Clive Wood at the controls of superferry Pride of Calais

There is, too, the convenience factor of having one's own, familiar car available. And last, but not least, for anyone who *likes* driving, there is the prospect of some adventurous driving through spectacular scenery.

Putting the idea to the test began, almost inevitably, at Dover with the early realisation that ferries are not what they used to be — for which we can be profoundly grateful.

With the Channel tunnel being bored beneath their keels, Sealink, P&O European Ferries and the other cross-Channel companies are trying hard to build up customer loyalty. Thus, the Dover-Calais crossing of self and Sierra on P&O's *Pride of Calais*, a 26,000-ton, new generation superferry, was an unexpected, honest-to-goodness pleasure.

Cheerful ticket office staff put up with my ditherings about precisely which ferry to take, and the on-board restaurant staff managed to give the impression that they actually *cared* about serving their customers with a £4.75 rib-sticker of a breakfast.

By noon, French time, Calais was 20 miles behind. By mid-afternoon, Beaune was passing on the *autoroute du soleil* and it was clearly going to be easy to reach Chambery, on the north-west slopes of the Alps, for a relaxed dinner and overnight stop. At this rate, the three days scheduled to make the 9.30 pm ferry from Brindisi, on the heel of Italy, was ridiculously generous.

By 6.30 pm, the Sierra was stuck firmly in an autoroute jam. At 10 pm, it had still not moved. Unseen, miles ahead, was a crash of appalling severity. On "our" stretch of autoroute, we had a picnic and a party. At midnight, I gratefully fell into a £50 single room at Lyons' Hotel Mercury, thoughts of Chambery, still 50 miles distant, long since abandoned.

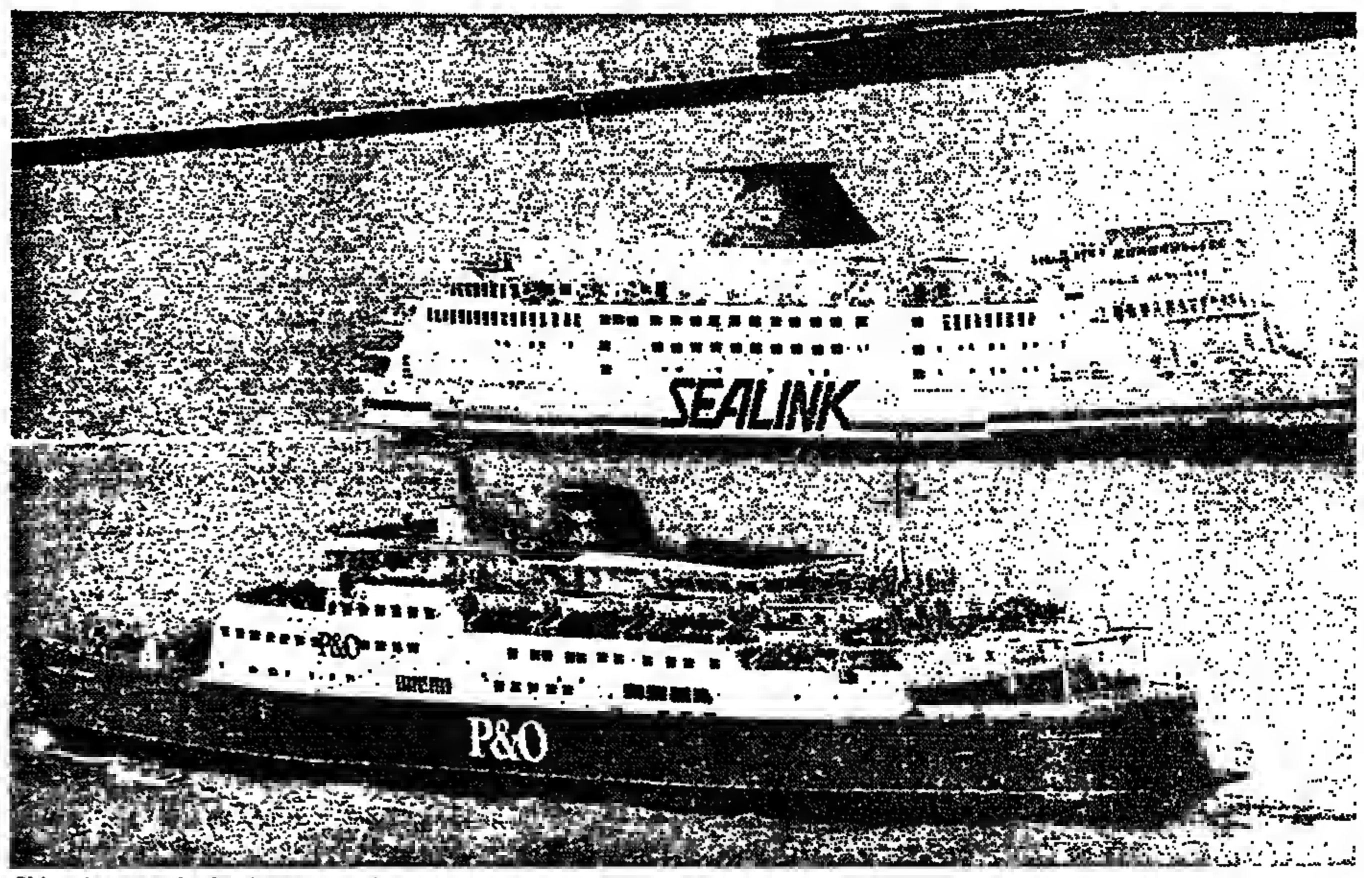
Even by that stage, I was glad, craven coward that I am, that the children were flying on the outward leg and were not along for the ride.

The following day brought an entertaining journey over the Alps through the Col du Cenis and a long, boring but high-speed slog skirting Turin and across the plains of Northern Italy. Once on the *Autostrada del Sol*, however, the alluring mantal prospect loomed once more of an early-evening stop on the shores of the Adriatic, somewhere near Rimini, at any one of several hotels nominated by the Royal Antomobile Clnb's hotels guide.

Fat chance. From Rimini southwards, nearly 100 miles to the port of Ancona, the Adriatic coast is a string of small towns submerged under a sea of heaving humanity. One lacklustre hotel near Pesaro offered a double room, without breakfast, for nearly £80. Long after midnight, I crawled into bed in a small, faded hotel in a backstreet of Ancona, having eventually concluded (correctly) that, being a working port, it would not be swamped with holiday-makers.

With 500 miles still to run, Brindisi — which runs ferries to Patras, Igoumenitsa, Corfu and many other parts of the Mediterranean — was beginning to seem a very long way. But by late afternoon, some 1,400 road miles after setting out from Ascot, the Sierra was nosing its way through back streets into the sun-baked port.

What Sealink and other UK-based agents selling tickets for vessels out of Brindisi fail signally to do is to provide any warning of the dire, disgraceful chaos of the place. With four hours to go before sailing, neither port nor Adriatica Line officials were making the slightest attempt to explain to a slowly growing crowd of would-be passengers, even those armed with pre-booked tickets, where the embarkation office might lie.



Ships that pass in the day . . . at Dover ferry terminal

Such was the confusion, and such the surly nature of Brindisi's officialdom, that chaos reigned. My most vivid memory is of the nowhere-near-full ferry pulling away from the quayside, leaving in tears five Canadian girls who had arrived at the ferry at 6 pm and simply been unable to find their way through petty, bloody-minded officialdom.

A few hours later came compensations. To round the north-eastern tip of Corfu in the unearthly light of the Ionian Sea, in the shadow of Mount Pantocrator, is a spirit-lifter *par excellence*.

In stark contrast to Brindisi, formalities with the ever-cheerful Corfiot customs and immigration were over in a minute. Thirty minutes later I was checked in for a night at the Corfou Palace, a discreet gem of a luxury-class hotel just round the bay from Corfu Town's old fort. By the following morning I was unloading at our villa, in a remote part of north-east Corfu.

Any regrets about the long trek vanished as gear tumbled out of the Sierra. Altogether, it seemed like half a plane load on its own.

It was also a relief that when the children climbed into the car, we could strap them — and ourselves — into safety seats and harnesses we knew would work. Apart from being horrendously expensive — better budget £250-£300 a week for a medium saloon or a Suzuki jeep — I'm by no means convinced about hire car safety standards on Corfu or, indeed, in many other parts of the Med.

Two weeks of bucketing our way across the rocky Corfu outback would later take its toll in terms of early replacement of a couple of tyres. But the car remained a boon and, even at the end of the return journey, there were only a few regrets about having made it.

The journey home was a different proposition entirely. Having traded in my Adriatica Line ticket, at little extra expense, for one which would take me by Minoan Lines all the way to Ancona, I settled down for what was effectively a 24-hour cruise up the Aegean aboard a vessel with a more than acceptable restaurant and even a top deck swimming pool.

The rest was easier, too. The run across northern Italy was no less boring, but mercifully shorter. Stopping only for petrol, Milan and the Mont Blanc tunnel were despatched by mid-afternoon. By early evening, I was enjoying an aperitif in the modest but beautifully situated Hotel des Tresoms high above the lake at Annecy.

Even after an exceptionally leisurely drive through the beautiful hills and meadows between Annecy and Beaune, with a two-hour delay courtesy of the *Tour de France* cycle race and a consequent unplanned rush-hour confrontation with Paris's *rue peripherique*, I was in Calais in good time for the 9.30 pm ferry. The return trip, by Sealink, did nothing to dispel newly favourable impressions of the ferries.

A less painful way of arriving — with both car and family — at long distance holiday destinations is by using French SNCF Motorail. It is perhaps indicative of worries over air travel this year that SNCF Motorail bookings from the UK are up 40 per cent this year.

Taking Motorail from the Channel to Milan, for example (a second terminal is operating at Boulogne for this season), allows the family to eat and sleep in comfort on the train and puts ports such as Venice and Ancona within reach of an easy drive. The snag, as ever, is cost. For husband, wife and two children to travel first class return between Paris and Milan, with (compulsory) sleeping accommodation, will be £670. Whether it is worthwhile depends entirely on individual criteria.

There are other necessary costs associated with a loog-distance motoring trip. Only a fool would set out without maximum insurance cover for passengers and car with the RAC, AA, Mondial Assistance or other similar organisations.

For a really long haul to Brindisi and back, expect to pay around £100 in toll charges.

Overall, we calculated that the net extra cost of taking the car separately, compared with flying en masse and renting a car on arrival, was around £450 when savings such as one less air fare and no rental charges are taken into account.

HOLIDAYS & TRAVEL

FERRIES

TRAVEL

Eee, bah gum, it's posh

***William Glenton** discovers the pleasures of Yorkshire's Other Side*

IT WAS not so much the stately home grandeur that captured my attention: Yorkshire has more than its share of that. Rather, it was the humbler buildings virtually in the backyard. How many country hotels bave a silent order of Carmelite nuns next door? They could oot find a more peaceful, soulfully inspiring haven of loveliness than this one – only a short detour away from the polluted A1, with the busy city of Leeds just over the hill.

"Soapy" Joe Watson, the old-time soap baron, knew wbat be was doing wben be found this handy nook of woods and pasture beside the gentle River Wharfe to cleanse himself of gruboy commerce. Now, his Georgian mansion, Wood Hall, has been restored and elevated into one of Britain's most luxurious countryside hotels, witb 22 individually-styled guest rooms, mostly suites; ornate lounges; and an *haute cuisine* restaurant serving foodstuffs flown in from Paris and prepared by eight chefs.

What the silent nuns think about such sybaritic delights must remain a secret. Yet, they and tbe hotel share a similar reason for being here – splendid isolation within handy reach of mass attractions such as Harrogate, Harewood House, Fountains Abbey and York. Not to mention those greatest lures of all – the Yorkshire dales and moors. Bnt this largest and most varied of all English counties is not all rustic cbarm. Nor does its old image of smoky mills and factories count for much now.

It never did way over in that least well-known part of the former East Riding – a title most inhabitants still prefer to the officially imposed and less inspiring one of North Humberside. Here, the only smoking chimneys are usually those atop cottages and isolated farmhouses. Duckponds host more guests than the few bed-and-breakfast places in the countryside. Any visitors are usually beading for the candy-floss of Scarborough and Bridlington, along the coast.

Signposts for Wetwang, Thwing and Thorngumbald suggest another land, and so it was nearly 1,000 years ago. This was part of the Danewald, and today's population still seems to observe a UDI from the rest of England. That is not surprising when many of them are hidden from view among the rolling green hills and valleys rising to over 1,000 feet – the Yorkshire Wolds.

The best way of discovering its pretty if unpretentious pleasures is to follow parts of the 60-mile footpath called the Wolds Way. It is the least known of all the long-distance trails, and all the better for that. Nature has kept the upper hand, and this is a terrain that can swallow up whole habitations. It is marked by "lost villages" like Wharram Percy, now arising again as archaeological students from around the world raise it from the dead.

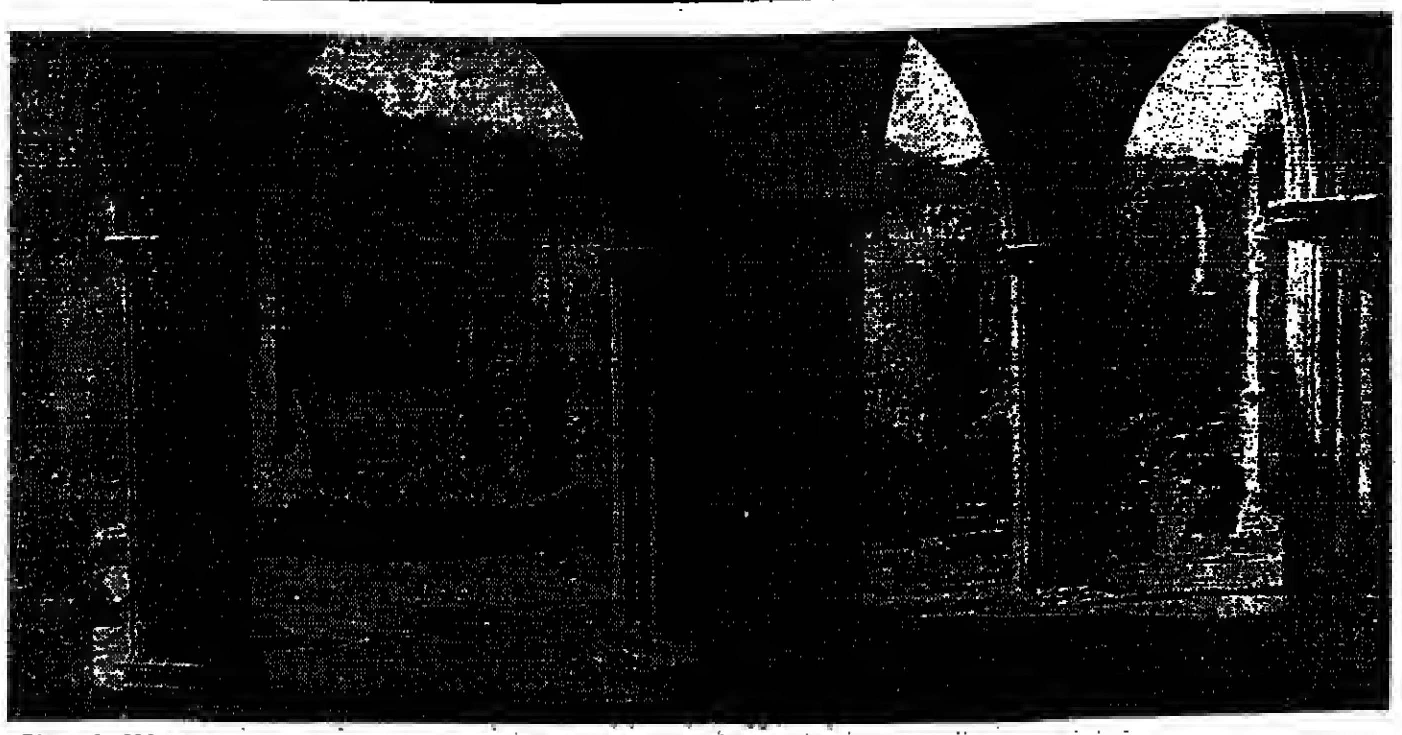
Raising massive parish churches was a preferred passion here in the east. None is so magnificent as the minster at Beverley, which deserves some of the tourist attention concentrated on tbe one at York, as does this charming market town itself, with its fine Georgian buildings.

An important endeavour in this part of the world is the breeding and training of racehorses. Visitors hsve sn uncommon opportunity to inspect racing stables at one of the North's greatest training centres around the pretty town of Malton in Ryedale, which divides tbe wolds from the moors.

There is no more famous stable there than Whitewall, where top-class winners have been kept for over 200 years. It was here that in the last century the inimitable John Scott produced a record number of classic champions. The present trainer, Frank Carr, not only welcomes visitors but with his wife, Rose, provides them with self-catering stays in four modernised but listed cottages.

Some way down the road, you can mix with racehorse owners staying in one of those charmingly refurbished small hotels that have become a feature of North Yorkshire. Once the home of a rich owner, Leat House has recently been decorated stylishly in traditional manner. The new owner arranges stable visits and, with eight top racecourses within an hour's drive, not to mention point-to-points and hunts, it is easily possible to enjoy an entirely equestrian holiday.

At the Feversham Arms at Helmsley, gnests can enjoy a weekend riding hreak – one of several sporting holidays that include golf, tennis and shooting. Yet, they have an oddly Spanish flavour. The Andalnsian-courtyard with swimming pool contrasts with the Olde English exterior, and alongside the Yorkshire pud and Yorkshire ales you are served paella and an extensive choice of good Spanish wines. It is what happens when a Spaniard like Gonzalo Aragues weds an English girl who prefers Yorkshire as much as he cherishes his homeland.



Rievaux Abbey, just three miles to the west of Helmsley in Yorkshire

No-one visiting this Other Yorkshire should take anything at face value when choosing a place to stay or dine. Yon could easily overlook, for example, the ancient White Swan in the little Ryedale town of Pickering, believing it to be just another characterful pub. Inside, though, you step into a world closer to Bordeaux, for few other British restaurants offer such a rich choice of St Emilion wines – hardly surprising since the wife of the couple who own the pub is one of the very few *Dames de la Jurade de Saint Emilion*. Guests can wade through the vintages at one of the wine appreciation weekends held in winter. A baker's dozen of modernised rooms with private bath are available.

Water rather than wine is what many of the holidaymakers who stay in Yorkshire's good selection of tourist farmhouses would expect, but hardly to the extent that Mrs Taylor, at Carr House, near Ampleforth, has taken it. Her guests were so pleased with the tap water fed through a pipe off the Hambleton Hills' spring above her cosy, beamed farmhouse that she now bottles it for sale all over the county. For only £14.50 you can get it literally on tap along with evening meal, breakfast and bed in a four-poster.

■ Details of this Other Yorkshire can be obtained from the Yorkshire and Humberside Tourist Board (tel. 0904-707-961).

Skiing

In Kitzbühel, it's even fun being injured

ANOTHER boring day in paradise. The sun is blazing for tbe umpteentb day and the Austrian sky is a sheet of solid blue. The snow, thanks to sub-zero temperatures at night, has retained a remarkable consistency despite having been lying around in Kitzbühel for weeks. It seems to be almost alien to nature's present mood. The birds seem convinced that we are well into spring, although none has beeo rash enough to start building a nest yet.

The couple opposite me at the Sonnenrast Restaurant are engrossed in what seems to be an intensely intimate conversation. Should I be eavesdropping? It turns out tbat the topic of skiing, not sweet nothings, has prompted tbeir hushed tones.

"Don't worry, Sue," says Robert, who has obviously done this skiing thing before. "Just lean forward and try to get your legs a little closer together. I promise you it's no more difficult than what you were doing on tba nursery slopes this morning."

The run they are discussing is not the dreaded Hahnenkamm but a friendly little blue called Kaser (there are some wonderful Gilbert and Sullivan-sounding names here, like Baren Badkogel, Wilde Hag and Giggling). Even "little blne runs" can be sources of great terror for beginners, however, and this is Sue's first week on skis.

"Nothing prepares you for the terror yon can experience," she says. "Yon know before you come out here that there are going to be frightening moments, but it is far, far worse than yon expect." It is for this reason, sadly, that so many beginners quit early – some on day one, others in hour one.

Kitzbühel, although one of the lowest (and most beautiful) of ski resorts, always seems to do better for snow than it ought to. The medieval town, witb colour-washed facades and wonderful coffee houses with gooey cakes, is something of a snow trap. Yet, conditions are far from perfect for the vulnerable beginner. Sue, bravely learning to ski at the age of 46, is a survivor. In spite of many moments of abject fear, she has lasted the week. Only two others in her class of 14 have stayed the course. Another group has dwindled from 10 to three.

However, people who "give np" do sometimes try again when they've had a year to get over their terror. "There's a girl here who's given up five times in five years," says Sue. "The first time she tried skiing, she gave np after an hour. Next year, she lasted a whole day. She came back a third time and lasted two days. This time, it looks as though she'll last the entire week.

"But you can never tell. I was stunned when the girl in our class who seemed to be the most competent suddenly took her skis off after five days, halfway down a run, burst into tears and said she hadn't enjoyed a single moment of the week and was never going to ski again."

Robert is obviously doing his best to prevent this happening to Sue. "Come on," he says, gently. "Let's try that run." Sue, like a lamb to slaughter, duly stiffens her upper lip, blinks back the odd tear and heads for her suicide mission.

"You have to be kind to clients," says one of Kitzbühel's greatest characters, Fritz Huber. "Just call me Fritz from Kitz!" he chuckles. Huber, now 82, still skis on his beloved Kitzbüheler Horn wearing an exotic, multi-coloured ski suit that gives him the appearance of a latter-day Merlin.

Huber, a ski instructor for more than 50 years, is legendary here. In 1933 he broke the world skiing speed record at St Moritz, tonching 90 mph on wooden skis. "Of course, they go much faster today," he says.

Kitzbühel has been chosen by Mark Warner for its new "flagship" club hotel-cum-chalet, the Postkutsche, a 17th century coaching inn. It has the comforts of a conventional hotel combined with the atmosphere of a chalet, arguably the best of both worlds.

The food, produced by the resident chef, Andy Shirt, is excellent, and the chalet girls – charming, pretty and efficient – smile a lot and tidy your room with an impeccable vengeance. In the evenings, the girls serve dinner in traditional Swiss costume. Chris the butler and Gordon the bartender look immaculate in black tie.

Greg O'Brien, our ski "guide," skis to the manner born – and he was. He was born at the bottom of Mount Hntt, one of New Zealand's principal ski resorts. Mark Warner claims to have been the first to introdnce a ski-guiding service, and Greg and his sidekick Owen certainly do an entertaining but responsible job as we roam Kitzbühel's associated ski areas at Pass Thurn, Jochberg, Kirchberg and the "Horn."

The skiing is fun, with lots of invigorating reds and pale blacks but lacks anything seriously challenging except the Hahnenkamm, which is ferocious, especially when covered in sheet ice.

Greg lets down his hair on his day off when we jet down the race-track slopes of the Horn. In mufti for one day, he can enjoy himself without his usual responsibilities. At one stage, he rescues a frightened woman from both her husband and her skiing inadequacies. She has gone sprawling and her husband is telling her impatiently to take off her skis and walk down. Greg picks her up and cajoles her back on to her skis, saying: "Don't give up. Try skiing slowly behind me." After two or three turns she has stopped crying and, by the time they reach the bottom, she is grinning through the tears. This must be what Fritz of Kitz had in mind.

Kitzbühel has some of the latest equipment for dealing with injuries, especially torn ligaments, perhaps the commonest. When I wrenched my left knee catching an edge while trying to ski like Greg, I found myself being treated simultaneously with two electric currents and a helium neon laser which sends a bright red line of light wandering to and fro across your knee.

It can even be fun being injured in Kitzbühel. And the chalet girls are terribly sympathetic.

Arnold Wilson

GARDENING

Flowers that thrive in the Arctic chill

Robin Lane Fox reflects on the stamina of plants

WE ARE still seeing the oddest combinations. Last weekend, the rain was coming horizontally and there was ice in the wind — yet there were flowers on one of my clematis and enough flowers to pick on the double wallflowers. I was freezing in February among primroses in full flower. By one of those strange evocations that gardens can work on us, by sights or smells, I realised that I had known this experience before. The memory made me realise something important about gardening, so I will pass it on although it is personal.

Nearly 20 years ago, the wind was blowing just as coldly; the light was fading on the Arctic ice pack; and I found myself looking across the Bering Strait to Siberia while mist rolled in like smoke between the angular shapes of the upturned icebergs. Plants seemed a luxury from some former existence until I looked for a place to sit and watch the evening — and found I was standing on a colony of primroses in flower.

Despite the cold, they were growing by the hundred in the tundra where the frost below the surface had melted briefly for the spring season. The ground was black and squashy, like a Scottish moorland. Wedged behind the cliff-face, the primroses were safe from the Siberian winds.

Like Britain this February, the Arctic has its flowering primroses in winds and storms which ought to scare them off. In those days, there were no worries that the polar ice was melting; the only holes in the Arctic layer of ozone were pierced by the Northern Lights; and the primroses had not begun flowering because of a man-made change of season.

There were rose-red ones, pinks and, very occasionally, some whites, most of which had funny little leaves scalloped at the edges and set with flowers about 2 in high. At home, much later, I found they were primula Cuneifolia, the wedge-leaved primula which grows as far afield as northern Japan but not, I think, in British gardens.

There was also an outlying group of something very much rarer: the Chukchi primrose, or primula Tshukftchorum, which grows on the islands in the Bering Strait and on the nearby seashore at which the mist was rolling towards me from the opposite coast of Siberia. Its flowers are unforgettable, even after 20 years: a purple-red pink with a pale lavender eye, more wide-eyed and open-faced than any of our garden primroses. I doubt if anyone has ever sold these wild varieties for gardeners. To grow them well, you need the sort of soil and climate which occurs in most of Scotland. Down south, my primrose shopping is limited to the old named varieties of white, pink and lilac primroses, some of which are double-flowered.

The best list of these rarities is put out by David Chalmers of West Blackbutts, Stonehaven, Grampian. The plants are not cheap but, when he sends you one, they are big enough to be divided and, if you grow them for a year in well-dug and well-fed soil, you can split them into half a dozen pieces. Most of them go wild with delight in shredded and rotted pig manure — hardly an Arctic commodity but one reason, perhaps, why they are flowering in Arctic conditions in my garden with such abandon.

In a small garden, these special primroses are worth paying for. They are not to be confused with the Cowichan primrose, which glows at you in a deep shade of red or purple and has a bronze-red tinge to its leaves but no eye to the flower. Personally, I am bothered by the Cowichan, although the nurserymen and garden centres are giving them quite a run. They all derive from a chance hybrid in a garden in British Columbia, but I hope they will not drive out the traditional primroses.

What these memories also bring to mind is not just that small primroses are well worth buying and growing but that gardening itself is a constant dialogue with flowers in the wild. Nowadays, I think we risk forgetting one half of the argument, as if nature only bothered us all with weeds.

Wild flower gardening as we understand it means British native flowers left to run wild, or dwindle, in unmown grass. Gardeners go round visiting other gardens, leaving wild flowers to field botanists and forgetting that their own best plants are ont there somewhere, waiting to be seen in hundreds and understood.

In Britain, we are all now keen to rescue lost garden varieties, conserve old plants or breed new ones. In Europe, the horizons are different. Gardens take second place to floras which make British "wild flowers" seem rather parochial. Field botany and gardening are much closer allies. It takes an odd spell of weather to make me remember it, but it is from other countries' floras, as much as from our own grandmothers' gardens, that British gardening can draw new life.

There are no gardens, of course, among the Eskimos and I douht if the huskies would give them much of a chance. There are, however, primroses, still forgotten hy British gardeners; their endurance and stamina make me realise what plants will tolerate under stress.

Cheewiz: definitely a rose apart

EVER since rose breeders started using code names for new varieties under trial, it has been difficult to comment in any useful way on the results of those trials until such time as the garden names are available. That can be several years, by which time the awards have lost their news value. But for Cheewiz, in the latest batch of awards, I must break my self-imposed rule of no mention until the market name has been published — and for three good reasons.

The first is that Cheewiz was awarded the President's International Trophy as the best new seedling rose of the year, and the second that it was raised by an amateur, for which reason it also got the special Torridge Award. But the third - and, to me, the most important — is that Chris Warner, who bred it, does seem to have broken new ground.

Cheewiz is a climbing miniature rose that keeps on flowering from June to September. The one serious fault of *Nozomi*, the best climbing miniature I know to date, is that it gives one maginificent display around midsummer and then pecks up for the year. For me, Cheewiz, which has semi-double orange-red flowers and grows to about 7 ft (2.5 metres), raises the prospect of a new race of repeat blooming climbing miniature roses.

If anyone asks how a rose that grows this high can be called a miniature, the explanation is that the additional adjective "climbing" cancels the height restriction imposed on other miniature roses, leaving only small leaves and small flowers as the criteria.

Reflecting on these matters, I remembered that some (although not all) experts believed this miniaturisation of leaves and flowers was introduced to the garden roses by crossing one or more of them with Rouletii, a charming little China rose with double rosy-pink flowers produced freely and continuously on bushes no more than 9 in high. The story of its introduction is so strange that it is worth repeating more or less as told by W. J. Bean in *Trees and Shrubs Hardy in the British Isles.*

It was first brought to notice in 1922 by Henri Correvon,

famous chiefly as an authority on alpine plants. A friend of his, Dr Roulet (hence the name Rouletii), had discovered it a few years previously growing in pots as a window plant at Mauborget in Switzerland. This village was burnt down and the rose went with it; but a single plant was found in a neighbouring village, and it was from this one plant that all subsequent plants are descended.

What rather worried me as I re-read this story was that I could not find Rouletii listed in any nursery catalogue. Even the excellent publication *Find That Rose* makes no mention of it. I hope such comprehensive neglect will not result in this good plant being brought near to extinction a second time.

Cants of Colchester, one of the leading growers of garden roses, circulates an annual list of the varieties that have sold best during the preceding year. The one lor 1988 arrived recently and, as usual, is divided into five groups with 10 varieties in each.

Much of it is as one would expect; there is nothing world-shattering in the news that Just Joey is still its best-selling hybrid tea. It was raised by Cants and is highly decorative, with extra-large coppery pink petals. It was still holding third place in the Royal National Rose Society's mnch more widely-based poll published in *The Rose* last September.

I was mnch more surprised to find that the pretty pink English Miss had moved up to top place in floribunda (cluster flowered) varieties, but it was entirely reasonable that white Margaret Merril and yellow Korresia should be second and fourth. I suppose it must be expected that Albertine will gradually move downwards, and this year it failed to reach the top 10 in Cants' analysis. Its coppery pink colour and sweet perfume are superb, but its thorns are awful.

It was mildly surprising but highly gratifying to find several of David Austin's "English Roses" in the top 10 of shrub and species roses, since many comhine much of the flower quality of the old Bourhon varieties with the health, vigour and repeat flowering of the modern hyhrid tea rose. Pink-flowered Mary Rose was top of the list, light-yellow Graham Thomas was third, crimson William Shakespeare sixth, apricot-yellow English Garden ninth, and pink Warwick Castle 10th.

What really did astonish me was that the New Dawn, Blanc Double de Coubert and Frau Dagmar Hartopp were appearing in the Kent poll for the very first time. The first has been high on my ranking of *rambler roses for at least 50* years. The second and third are even more eminent as shrub roses.

All three are virtually trouble-free, all flower very freely, and Frau Dagmar Hartopp gives a handsome bonus of fat red heps to follow its big single pink flowers. What have Cants' customers been thinking abont in earlier years?

Arthur Hellyer

Country Notes

The winter that isn't

SOMEONE SAID to me the other day that it had been "such fun" when, a few years back, the village was cut off for 10 days in the snow. Not everyone would agree, but certainly the spirit of neigbbourliness was stronger than usual and having our bread delivered by belicopter was something of a novelty.

Now, I cannot help wondering whether my daughter will ever experience such things here. She has just celebrated her second birthday and has seen barely a snowflake, let alone a drift.

It's not easy explaining to her that the flowers, bird song, bees, ladybirds and butterflies that we ootice almost daily are simply the result of exceptionally mild weather.

In the past, the different seasons seemed to be defined more clearly althoogh the changes between them were very gradual and they overlapped often. There was always a morning in January or early February when I caught the very first whiff of spring in the air; the odd primrose or sweet violet flowering early in a sheltered spot during a mild spell was nothing unusual.

This year, we have had large numbers flowering as though spring were here already. Among many examples of surprising precocity, the Dorset Environmental Records Centre mentioned frog spawn in unusual abundance, the earliest having been reported in the first week of January.

In some instances, nature has hopped on even further; in mid-January I saw a cow parsley plant in full bloom, a sight we associated normally with those weeks in late spring and early summer when the lanes are edged with a waist-high lacework of cream and green. Generally speaking, however, most things seem to he between four and eight weeks early.

Even more confusing is the fact that we do not seem to have shaken off the old season.

There is a hawthorn bush on a friend's farm which still bears last year's leaves, now tattered and dull, along with bright new ones and even an early flower. Last autumn's holly berries are still available readily; the birds have not gone hungry in a long time. Hedgehogs have failed to hibernate.

The same farmer is scratching his head over how to cope with an alarmingly large crop of slngs, for they have not ceased to hreed as they usually do in the winter months. Any adults he manages to kill are replaced immediately from rapidly hatched eggs.

At around nine inches, the winter barley oow stands five inches or so higher than normal, making it all the more susceptible to fungal diseases. Were he to spray it, a sharp frost could prove disastrous.

One of the most intriguing things about this season is that so many creatures seem to be showing themselves capable of opportunism. This is evident in birds, particularly. Length of daylight used to be regarded as one of the main factors governing the dates for mating and other related activities, hut their present behaviour suggests that birds are more adaptable than was thought.

The warden of a south coast bird reserve told me last week that 300 ducks had left suddenly for their breeding grounds in the north, presumably hecause of the mild weather. Long-tailed tits were nest-building, stonechats were courtship feeding, and mallard were sitting on eggs. Many of the migrant redwings and fieldfares from Russia and Scandinavia have stayed in tbe oorth and east of England, where they made their landfall, instead of continuing south as usual.

Jeany Poulsen

LONDON PROPERTY

PROPERTY

Interest rates? Forget them

***Estate-spotters are doing thriving business, says* John Brennan**

"WE HAVE been really surprised at the number of people who are not affected at all by changes in mortgage interest rates," says James Wilson. "There is no shortage of money. A lot of people have access to their own corporate money, or have access to various other forms of capital."

As one half of the team that set up Wilson & Wilson a little over a year ago to act as buying agents for country estates and London houses, James Wilson (and his namesake partner Charles) might have been expected to be floundering once the highly competitive sellers' market of 1988 faded.

It's easy to see the value of paying a 1.5 to 2 per cent fee to retain a buying agent as property spotter at a time when every good house attracted a queue of competitive bidders even before it was advertised publicly. But when the market cools, why would prospective buyers need any help?

According to Wilson: "This is a perfect time for private deals, since a lot of agents are keen to offer a property to us on behalf of their clients because they know that the people we represent have got their finances organised."

Agents bring properties to buying specialists like Wilson & Wilson knowing that there is no risk of a deal falling through because the would-be buyer's own home is slow to sell. "Our buyers really want to buy, and have thought through a move."

As well as tracking down and negotiating £350,000-plus country houses for clients, the agency is acting now for expatriate investors looking for £150,000-plus London flats.

Wilson & Wilson (01-727-1977) has also started to develop a business hunting bigger country properties for companies that want to move their businesses out of town.

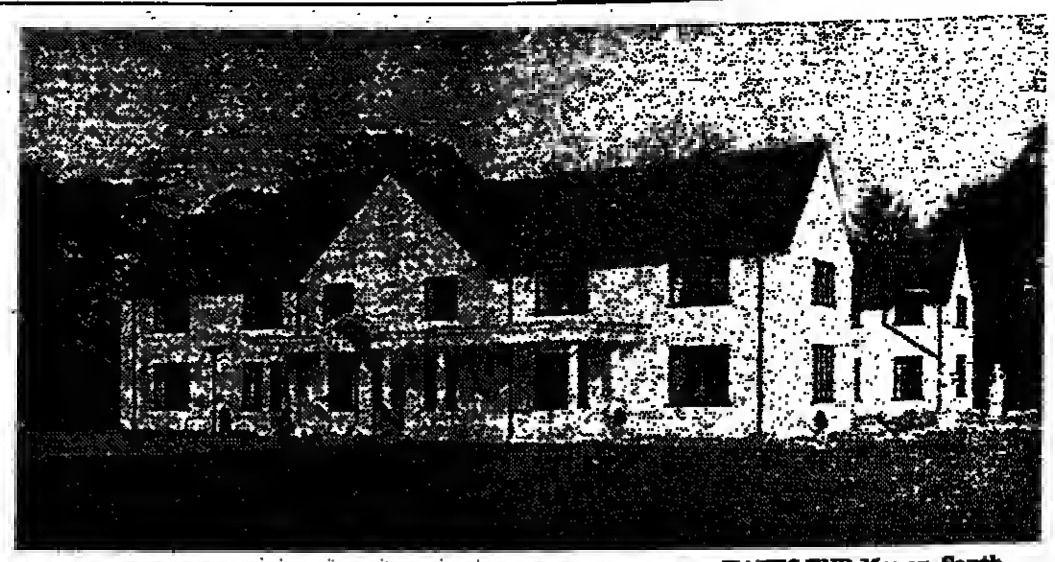
"Rents in London and in all the major cities have risen enormously in the last few years and we have been approached by a number of companies interested in the idea of relocating to their own building," James Wilson says. "There are lots of big country properties that are not suitable for use as a private house, but which can make good company headquarters."

He adds: "County planners are increasingly more sympathetic to changes of use, particularly now that the high cost of borrowing is deterring speculative developers who would have wanted to split them up into flats."

As those apartment conversion schemes thin out, quite a few county planning authorities are becoming more amenable to the idea of companies buying and converting country houses for business use because of their concern about the age profile of the local population.

Buying interest from company users helps to counterbalance an insatiable demand for conversion of larger country properties into private rest and nursing homes.

YOU COULD lean over the fence and chat to the neighbours' weekend guests from the White House or the Kremlin . . . or, at least, you could except for the small army of security men. Having the Prime Minister's country home, Chequers, next door clearly adds to interest in Lodge Hill Estate at Butler's Cross, at the highest point of the Chiltern Hills near Wendover, Buckinghamshire. The seven-bedroom mansion formed part of the Chequers Estate until 1917 when Sir Arthur (later Lord) Lee gave Chequers to the nation. Now, Lodge Hill house, gardens and 127 acres of farm and woodland are for sale through Peter Robinson & Company (09274-20622) at a guide price of £2.5m.



HAYES END Manor, South Petherton, six miles east of Ilminster in Somerset, is the English Courtyard Association's latest retirement homes development in the south-west. It is built around the house and five-acre gardens of the 14th century Ham stone Hayes End Manor farmhouse, its converted granary and former flax barn.

As with most of the English Courtyard schemes, the majority of the first phase of what will eventually be 21 mainly two-bedroom flats and cottages have been reserved for prices ranging from £95,000 to £140,000, with an estimated weekly service charge of £45. Details from ECA (01-937-4511).

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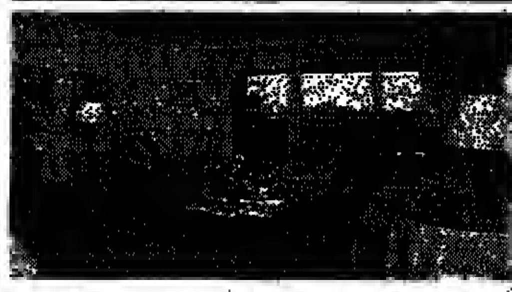

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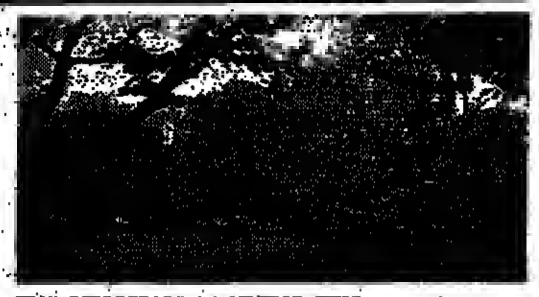

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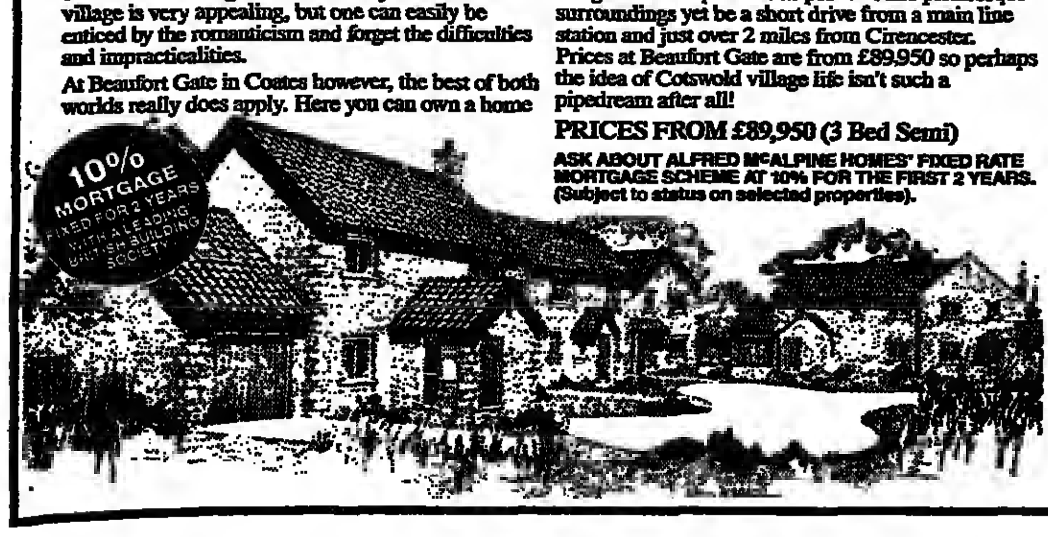

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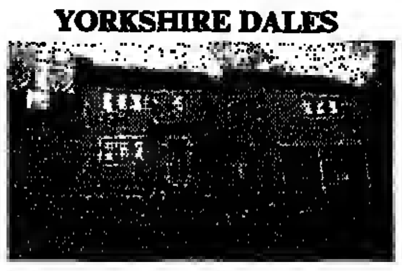

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PROPERTY

Now is the hour for a serious sales pitch

***John Brennan** provides some timely tips on the best ways to impress potential buyers*

BRACE YOURSELF. This is the year when, if you want to sell your home, you're going to have to work at it. It will be tougher still if you need to sell the place, need to sell it quickly, and need to sell it at more than a bargain-hunter's valuation. Thus, the job has to be tackled seriously.

The problem is one of confidence as much as economics, insofar as the two can be distanced from one another. True, a combination of high interest rates, low inflation and comparatively high level of property values in relation to earnings persuades economists that residential prices have run ahead of their logical market level. But all that really means is that it will be tiresome trying to sell your home to an economist.

The rest of the home-buying public tends to take a longer, less starkly objective view. The problems this year will be because of the uncertainty, the lack of confidence based on the fear that buying now will seem like an expensive mistake later on.

Having been brainwashed — by mortgage lenders, agents and virtually everyone with an interest in a lively turnover of residential properties — into thinking that an Englishman's home is a guaranteed upward-only investment, there isn't a would-be buyer or mover in the country who hasn't been seduced into thinking of house prices as though they formed some brick-built version of the FT Index where timing is evidence of good, or bad, judgment.

Rationally, the fact that these avidly charted price movements ignore the costs of property transfer, repair and maintenance charges, and take no account of hefty spending on improvements, means that even the best constructed price indices can be no more than a guide to trends.

In any event, since the average home-owner stays put for between five and seven years, buying decisions based to any serious degree upon short-term variations in value must be suspect.

Bnt that's rationality for you. It might be convincing intellectually but it doesn't count for much against the unconscions, pervasive machismo of a home-buying culture in which it has become just as important to be able to say that your home is a sound investment as it is for an Italian driver to "win" at the traffic lights.

The paradox is that, as far as selling a property is concerned, all this concern about house prices is largely irrelevant. You simply will not meet the people who have been put off buying. Viewers will be those who are planning seriously to make a move and who, by definition, have decided to treat the economists' comments like a weather report — ie, short of a forecast for a freak typhoon or blizzard, even the roughest weather will not stop people from going out if that is what they are set on doing.

So, how do you go about convincing these serious prospective buyers — who now have the opportunity to be more selective — that they need to look no further than your property? A straw poll of estate agents suggests that, whatever other devices and stratagems you employ, price is without doubt the critical factor.

In a runaway bull market, it did not much matter how far out of line an asking price might seem to be with local comparable values. When every sale is contested, an auction-like euphoria — or panic — helps to drive up the bids. In more reflective times, comparable prices count and valuers can, once again, do their work. Price is also the critical factor if you need to sell a place quickly.

But why does one realistically priced house sell and another, priced equally sensibly, stick on the agents' books for month after month?

One reason is that the property falls into an unexpected sales gap. There is no way of making sure that the advertising for a property will not appear just as the weather turns foul, or in time for some sudden national or world crisis that keeps people's minds off home-buying altogether. By the time the agents' telephones start ringing again, properties launched into one of these sales gaps tend to be left behind. Would-be buyers either assume that the property they saw advertised weeks ago will have been sold, or that there is something wrong with it if it has been on the market for some time.

The only answer in these cases is to write-off the first attempt to sell and start all over again.

Another more common (and far more easily-resolved) reason for failing to sell is where a property has been placed with too many estate agents. More than one might be too many these days; 1989 seems to be shaping up as the year of the sole agency.

Most of the national agency chains have now nailed their colours to the sole agency mast, arguing, with considerable justice, that it is impossible to do a proper sales job on split commissions.

"In a very good market, you can place with lots of agents, the more the better in some ways," says Patrick Ramsay of Knight Frank & Rutley. "But when you don't have people clambering all over a place, the moment you put out a few brochures, it is far better to choose an agent you can trust and give them a reasonable time to do their work in. That way, you can demand attention. You don't have the situation where a property is put out to four or five agents and, if it's not sold in the first 10 days or so, they lose interest."

If he switched sides for a moment and joined the vending classes, how would Ramsay set about it?

"I'd want to feel that I could respect the agent, and with the best will in the world I wouldn't be happy with a 20-year-old with six months' experience who couldn't possibly know the market that well." Ramsay would want to be kept informed, at least on a weekly basis, whether the news was good or bad. And he would not be too penny-pinching about sales promotion material.

He does, however, see clear limits to the degree of poetic licence in sales literature. "It's self-defeating to have a perfectly ordinary cottage made to look like Blenheim Palace, but you should do the best you can with it."

There is a marked divide between agents who believe that it is worth spending money inside a property for sale, and those who do not. Representing the spenders, Farley & Co reports that, for a prime quality property, a modern kitchen these days means one with, at a minimum, waste disposal, dishwasher, up-to-date cooker, washer-dryer, good storage and well-lit worktops. Bathrooms, they say, "should, in many respects, be the most luxurious room in the house." And that means, in an ideal world, "jacuzzi, twin basins and separate high-power shower."

That, it seems, is what you need to make a sales impact in the rarified world of investment-rental properties. For more mundane homes, Farley accepts that a freshening-up might be adequate to sell successfully — a point echoed by Ramsay, who would not advise a vendor to look beyond that freshening-up and basic repairs.

He doubts if it is ever worth spending anything on improvements ahead of a sale. "When people do spend money, it's almost invariably the case that people who look it over say 'I love the house but I hate that kitchen,' or that a couple of super decorated rooms just emphasise that the rest of the decoration has aged.

THE COMBINATION of a modern house and a good site is rare enough to bring the viewers out to Benedict House near Inkpen, Berkshire. Strutt & Parker (tel: 01-629-7282) expects offers around £465,000 for the 4,500 sq foot, seven-bedroom house built three years ago on a three-quarter acre site alongside farmland, with views to Combe Hill near Newbury.

"You can't win because people's tastes are so different. It's much better to save all that expense and send e few thonsand advertising and presenting the place properly."

Drawing in the full spectrum of agents' tips, there are a number of things you can do to help a sale along, apart from agency selection, a less parsimonious approach to sales promotion material, and resisting the temptation to try to buy a huyer by best-guessing their taste in new kitchen units.

Front doors are, it seems, critical. A number of agents say that prospective buyers' whole approach to a property can be affected by the state of the front door. And since a ritual daily washing of steps and door polishing went out with scullery maids, an astonishing number of even the most expensive properties have down-at-heel, rather depressing entrances.

Sprucing up the front door is in line with keeping the lawn mowed, and tidying the garden generally. Having the windows cleaned more often than usual helps. So, too, is making sure that all the light bulbs are working, particularly if they are in rarely visited parts of the cellar, a garage or a shed.

The perverse law of buyers' visits dictates that the one light that's never been needed in years is the only one that's tried. And, dead hulb or not, if the switch merely flicks on an embarrassed silence, those visitors will think automatically that the entire electrical system is suspect.

Hiding the DIY manuals and restraining the urge to talk about your amateur efforts as a structural engineer will *avoid one dire selling gaffe.* That is nearly as important as hiding the household smells.

Home buyers are, it seems blessed, or cursed, with residentially sensitive noses. And e common sales agents' plea is thet, whatever else you do, make sure that the house smells fresh.

A safe bet is to brew up plenty of fresh coffee to crowd out the air waves for visitors. Fresh flowers also help, and they cheer np the rooms.

Among the more extreme sales aids, yon can always invest a little time in the planning ploy of getting agreement in principal from the local council for edditions and extensions that you might never wish to follow-up, but *might inspire an expansion*-minded prospective huyer.

A more ephemeral, not to say ethereal, suggestion is to beware of things that go bump in the night. Homes reputed to have ghosts seemingly pull in more viewers curions to inspect the house — in daylight — but such stories put off more huyers than they attract.

As for houses with a past, e little time researching the history can be well worth while, but that history needs careful editing. Sellers should emphasis any Royal links — however distant or tangential — and play down any tales of the violent deaths, crimes, or any controversial literary or theatrical associations.

As long as "easy access to the *airport*" does not mean right under the flightpath; "historic" does not mean that it is a dangerous structure held together by the wallpaper; and "architect designed" does not mean that it needs a set of architects' plans to find the front door, the quiet start to the market in 1989 should not be taken as reason to shelve the idea of a move.

As Patricia Farley of Farley & Co points out, a quiet market ought to be the best time to trade up. Even if that does mean accepting less than the price that might have been achieved at the top of the market last year for a smaller property, having arranged a sale, you will be a cash buyer able to bargain for a proportionately similar, and hence more valuable, discount on a larger place. On that basis, as she says: "The higher the price, the better the buy."

COUNTRY PROPERTY

COUNTRY PROPERTY

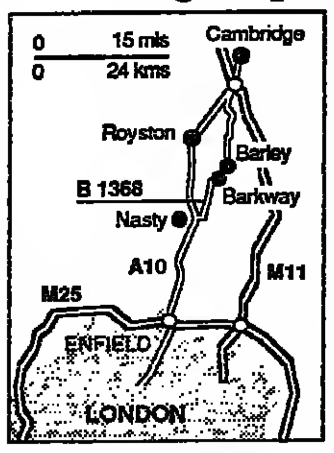
INTERNATIONAL PROPERTY

To Marble Arch by midnight

Nigel Spivey on a bicycle trip from Cambridge to London

I LEFT Cambridge to the first splinters of bird-song in college gardens, and with no soul on the streets save a fluorescent road-sweeper gathering the night's detritus of beer cans and junk food wrappings. This is a street in the heart of the town which appears devoted entirely to pizza: a device once intended to alleviate starvation in Naples but now the staple of provincial England.

Daybreak is a misnomer here; for day does nothing so violent as breaking. The darkness gives way by degrees, to which most of us are quite oblivious: it is a piecemeal surrender. And if the moon is the flag of the night, then the capitulation was not signalled finally until a quarter to nine as day was trumpeted by skies coloured a deeper shade of FT pink.



So, sunlight assisted me along the London road. This – or the B1368, as it is charted – is a route that pre-dates arterial networks and is, consequently, disregarded by most drivers. It is marked partially by milestones, crested with the crescent of Trinity Hall, and a cyclist appreciates these tokens of his progress. I imagine this as the route favoured by those dons who would walk from Cambridge to London as a common-room challenge with a hottle of claret resting on being able to reach Marble Arch by midnight, having set out from the college gates at five in the morning. That amounts to a very brisk pace: I should have wanted at least a crate of claret for such punishment. But I had settled for the bicycle, and I have to report that this London road was entirely pleasurable.

It brought me to the modest undulations of the Essex highlands; it offered diversions to the gems of those highlands, namely Arkesden and Wendens Ambo; and some good prospects of decent churches. The fields around are overlarge, of course, and the inhabitants hereabouts overtly prosperous. But the Women's Institute is still a force to be reckoned with; there are villages such as Barley and Barkway that convene their elders in half-timbered halls, and local produce is pnt ont for sale at the side of the road. Our pizza-based society will have gone properly rotten when sacks of manure, or jars of jam and fresh-picked flowers, cannot be placed for sale at the roadside with no more than a plant pot to receive payment.

In due time, I halted at a hostelry and pulled out a book. A hook? Yes: the wayfarer needs a book, and indeed there were once series of books produced precisely for excursionists such as me. These are mostly anthologies, edited by E. V. Lucas and his ilk, or nature notes by Richard Jefferies and others; most seem to have been issued in the first quarter of this century. Mine was a calf-bound volume called *The Pocket Plato*, so I allowed myself a pint of hitter with some scratchings of Athenian wisdom.

Hertfordshire is the county in which I was born, so I retain some affection for it. But my journey began to deteriorate. I resisted the temptation to deviate to the village of Nasty, although I could have made something of that, in the style of Bunyan: for the London road joined inexorably with the A10, which is a thoroughfare that terrifies the cyclist by the velocity and proximity of its traffic. The road developed into a highway to hell, and I felt myself borne along almost passively hy the great gusts of suction in the lee of lorries and hurtling cars. If you had told me that these beasts had been let loose from a place called Nasty, I should have believed you.

It was along the A10 that I became conscious of the quantity of debris that exists on the margins of a busy road. It is prodigious. Some of it is pathetic – one newly-dead fox, two clobbered magpies, numerous sparrows, and pigeons sufficient to fill a substantial pie; and some of it to be expected – hence plenty of hub-caps and at least five orphaned number-plates. But most of it is a dross of discarded cigarette packets, sodden print, and muddied bottoms and bosoms.

The M25. Viewed from a bridge, it is like the infernal River Styx, ringing the damned and blessed of London with its ceaseless current of vehicles. I passed over with some awe, and was soon enough tested by the trials and intersections of north London. Whether the north Londoners are damned or blessed, I cannot tell: their concepts of paradise are probably rooted deeply in the Costa Brava, and they lack the redeeming air of criminality possessed by their neighbours in east London. I find it hard to accept that the genius of Charles Lamb once graced Enfield; and even harder to believa that having declared, "Thank God, I have repudiated Enfield," he removed no further than to Edmonton, in the parish graveyard of which he lies now.

Of my passage through the metropolis, I need say little. Cambridge is still a place in which the bicycle is a convenient and tolerated conveyance. In London, I slipped easily into the mentality whereby all car-drivers are blackguards – the same mentality that led W. H. Auden to impugn the diesel engine as the "chief woe of our commonweal," and which induces in the cyclist the gloomy intimation that he is the last person on earth who is friendly to that earth.

When I dismounted, I found myself shaking not with fatigue but with frayed nerves. I staggered into a telephone booth to order a hot bath and was invited to subject myself to Olga the Whiplash. Was this hell?

The late winter twilight came down. Night was re-mobilising: the London skies turned to a basic FT pink but, unlike those of the morning, these were licked with orange flames.

Fishing

Trout to make you tremble

An old snapshot brings back happy memories for Tom Fort

I HAVE been looking at a photograph of myself, which shows me to more than usual disadvantage. It is a flashbulb effort, taken at the end of a long day. I have horrid red eyeballs and an idiotic grin. The dead fish I am holding doesn't look too good, either. It is a small, stiff rainbow trout, with twigs and other vegetation stuck to it.

It is, in short, a photograph which self-regard and good taste suggest should have been incinerated years ago. Yet, I am attached to it because it records a precious experience. I tempted that fish in a lake near Inyanga, in the Eastern Highlands of Zimbabwe, and it remains the only foreign trout (I discount Ireland) which I have caught.

Quite why a trout caught in another land should have so much more romance and adventure attached to it than the one from the river by the front door, I do not know. But it does, and February in England is the time to be day-dreaming of fishing in far-off lands.

It requires virtually no effort of imagination for me to picture myself casting in the snow-fed waters of a lonely stream in the foothills of the Himalayas, battling with one of the monster sea trout of the Falkland Islands or Tierra del Fuego, flicking my nymph before a big brown trout in a pellucid New Zealand river, tying a tiny dry fly as I stand beside the Bighorn in Montana, or watching my rod bending in Alaska, Iceland or Norway.

I am almost sorry to say that these are no longer the realms of fantasy. There was a time when a fishing trip to the southern hemisphere or beyond the Arctic Circle was the adventure of a lifetime and the subject for a book.

Now wealth, air travel and the enterprise of holiday companies has made such experiences commonplace, and much of the romance has gone.

First choice for the dedicated wilderness seeker these days seems to be the north of the North American land mass – British Columbia, Alaska, Labrador.

At the drop of a large cheque, yon will be whisked to a comfortable lodge in a wild and empty landscape to catch your heart's content of salmon, Arctic char, or any half-dozen different species of trout.

Among the companies organising trips are Abercrombie and Kent, Sloane Square House, Holbein Place, London, SW1W 8NS (tel: 01-730-9600); Country Pursuits in Scotland, 29 Barossa Place, Perth, PH1 5EP (0738-30927); and the Newfoundland and Labrador Fishing Club, Cherrytree House, Plumstead, Norwich NR11 7LQ (026377-354).

My own inclinations have a more southerly bias. I am on the Chimehuin in Argentina or the Cumilahue in Chile – I'm not too particular which. The common factor in each case is that I am catching rainbow and brown trout of a size and strength that make me tremble.

Alternatively, I am wading the Warrah or the Chartres in the Falklands, oblivious to the wind which whips across these treeless wastes as I engage with another 10lb sea trout.

Abercrombie and Kent (which numbers Kashmir, Christmas Island, Tanzania, Mexico and Mauritius among its other angling venues) organises trips both to Chile and the Falklands.

So does Major Tony Valdes-Scott of Sport Elite, Woodwalls House, Corscombe, Dorchester, Dorset DT2 0NT (093589-477). He was born and brought up in Chile and has kept up his contacts. He is also intending to explore tha possibilities of Argentina, which has become a favoured destination for American anglers but is hardly touched by the British.

If you are deterred by the thought of the bears and mosquitoes of the far north, or the tempests which tend to accompany the angler in the Andes and the South Atlantic, more civilised possibilities are the US, Tasmania and New Zealand. The trout fishing in all three is highly organised and still – by most accounts – wonderfully good.

There is, of course, no such thing as a cheap foreign fishing holiday. You can get a week with a party in Norway for as little as £1,500; Alaska will be £2,000-plus. Two weeks in Chile or the Falklands will cost around £2,500. The US and New Zealand would be in the sama bracket. The holiday advertisements in the latest issue of Trout and Salmon magazine offer possibilities for further investigation.

For those who, for one reason or another, prefer to avoid the exertion of converting fantasy into reality, I can recommend the second-hand approach.

Light the fire, pull up an armchair, and read Zane Grey on New Zealand, Negley Farson on Chile and Yugoslavia, Roderick Haig-Brown on British Columbia, Charles Ritz on Sweden and Norway. You might miss something of the thrill but it is cheaper, more comfortable, a lot less trouble and the pleasure is just as certain.

Archaeology

The comfort of heritage

Gerald Cadogan applauds conservation areas

CONSERVATION AREAS were invented to keep familiar and friendly surroundings friendly and familiar. They protect towns and villages that are the true core of the UK's national heritage, and they do that a thousand times more efficiently and at a lower cost than it takes to "save" Italian paintings which English lords acquired on the Grand Tour.

To maintain groups of buildings that we all enjoy needs little new money, as against appeals for millions to keep a Titian or Tintoretto that is now suddenly deemed part of our island heritage, in case it goes abroad. Our buildings are the real national heritage because they are meant to stay where they were built, unlike art, which is portable and therefore designed to travel.

Most of the village in which I live in Northamptonshire was designated a Conservation Area in 1978. The village is in hunting country, on the border of the Bicester and the Grafton. Spread along a high street that descends a steep hill, it is no self-declared beauty spot (like Chipping Camden) but a "good ordinary village." It is special only for not being special. In the Northants habit, many of the cottages, farm houses and barns are banded. Dark brown ironstone alternates with light limestone to give a zebra effect. It is not so grand as the red and white banding on Siena cathedral, but the idea is the same.

The heart of the village is a triangular green with the stump of a market cross, a memory of the times when it had a market and the village was on the route of the Welsh sheep drovers. In the 18th century it became the base of a gang of highway robbers. A few larger houses, all listed, are interesting but do not overwhelm. One began as an 18th century hunting box.

Behind the long street, buildings give way at once to fields of mixed farming and superb views as the ground drops away on every side. Church, school, pub, shop and forge complete the picture. The aim of designating the village a Conservation Area is to keep or even improve its distinctive ordinary character. That means extra effort to see that developments and changes fit in. Buildings and double glazing must harmonise. Windows made of UPVC are a special problem, as they are all of a piece and are flat and so destroy the relief effect that glazing bar windows give to a building. Gables on the roof are something else to check closely.

If we had lots of advertisements the District Council would want to control how they are displayed. We do have too many corrugated iron roofs, which they are eager for us to get rid of and return to tiles or slates which last better and are traditional. Overhead wires they would like put underground; a fine idea, but I think too much for the village to accomplish. What we can do is to cut the grass on verges and greens, and to re-point our stone walls in the traditional way.

Finally we are encouraged to keep our buildings shipshape, and to have an eye for our trees. Good specimen trees, if threatened, will deserve Preservation Orders as they add immeasurably to the whole. Until last year the Conservation Area had only three trees with Orders. Then several were added when it looked as if they would be enveloped in a housing development. They are an elegant avenue in the grounds of the hunting box and the first thing yon see as yon come into the village from the east.

All fiddly details, perhaps, and if you drive through as a stranger, the village looks quiet and rather grey. But the Conservation Area, of which there are 29 in our district, means that it stays the place many have known since childhood, which gives us and visitors the comfort of a heritage.

DIVERSIONS

Green gringos on the Amazon warpath

Ivo Dawnay sits in on an ecological pow-wow in the Brazilian rain forest and finds himself warming to the environmentalists' arguments

ALTAMIRA, Sunday February 19

WINGING out over the Amazon city of Belem in a rickety Fokker, the passenger in the next seat is revealed to be Geraldine, a daughter of Lord Rothermere, the newspaper baron. Elsewhere on board are rumoured to be a cowboy-hatted Belgian Euro-MP, several Friends of the Earth, enlightened New Agists, sincere Whole Earthers and half a dozen cynical television crews, probably already on overtime.

Our destination is Altamira, a dusty township of 60,000 souls, 700 kilometres to the south-west of the banks of Xingu, a major Amazon tributary and now the proposed site of a vast new $5.8bn dam complex. Thanks to the fiercely-combative local Caiapo Indians, this has become the ecological and Indian rights' movements' latest frontline. Whether it will turn out to be Custer's Last Stand for the Brazilian authorities or Little Big Horn for the Indians is what we have come to see.

With drought in the US mid-west and summer weather in London in January, the world'a finger is pointing at the destruction of the Amazon rainforest as the culprit and Brasilia is in ragged retreat to regroup its forces. Last year, the government prosecuted two Caiapo leaders and an American anthropologist for damaging national interests by pleading their cause to representatives of the US Congress and the World Bank. Now, with the *gringo invasion imminent*, the charges have been hurriedly dropped. An environmental agency has been formed and the Foreign Ministry is setting up an ecology and human rights department to fight a good public relations fight.

At Altamira's airstrip, cunning passengers with only hand luggage easily beat those laden with propaganda to the assembled taxi vultures. A pick-up takes us bouncing over potholes past the Kiss Me Motel (soon to become the residence of The Times) and on out to the Indian encampment.

It is here that any notion that the Caiapo might be humbled by years under the white man's yoke is swiftly dispelled. We are met by an awesome, 6ft tall warrior. His long lank hair is crowned by a parrot-feather headdress, his body draped in beads and shells, his face masked by crimson warpaint. In his hands is a half-drawn bow, the scalpel-sharp arrow seemingly targeted directly at my palpitating heart.

The etiquette in such circumstances is not learnt while reporting on British trade unions or the EC Commission. Does one ask to be taken to his leader, or mutter something about coming in peace? In the end, I can manage only a stumbling: "Do you, by any chance, speak Portuguese?"

It emerges that the Caiapo are not "At Home" today, so it is back to town and a chance meeting with the local left, who explain their fears over the dam scheme. Waldir Ganzer, the state deputy for the radical Workers' Party, tells of the Tucurui barrage 500 kilometres to the east – a sorry story of poisoned water, unfulfilled promises, unbuilt hospitals and schools, mosquitoes, disease and depression. "We are not against progress, but it is progress for whom?" he asks. All admit, however, that at least 70 per cent of the townspeople back the dam.

The most emotional moment of the day is missed altogether when Paiakan, the instigator of this unprecedented multi-tribal National Indian Meeting, returned after weeks of propagandising to meet his chief at the airport. Both men, in accordance with Caiapo custom, wept profusely to express their joy at being reunited. "It is perfectly logical," one informed observer explained. "They cry to express their regret at the time they have been apart."

Brigitte Bardot and Tam Dalyell, MP, Britain's patron saint of lost causes, are due to arrive tomorrow, though not, one trusts, together.

Monday

IT IS soon after dawn and the Caiapo are entertaining us with an astonishing foot-stomping ritual dance in which two villages *metaphorically fight*, but then unite. The warriors are shouting: "Cooo . . . eee."

Suddenly, two red-painted, machete-wielding women screech a hideous chant, the fatter one ignoring a monkey on her arm which is playfully tweaking her bare nipple. Someone asks an American expert what the words mean. With the gravity that only a full-blooded anthropologist can muster, he replies: "They are singing 'We are standing here singing.'"

As the television crews scamper about their own clumsy rituals, they themselves are coolly filmed by Caiapo warriors, expertly wielding the latest JVC video cameras. This, it emerges later, is another example of Paiakan's organisational genius. The film, evidence of the tribe's international prestige, will be shown to other villages to boost morale for the fight to come. Seven cameras are owned by the Caiapo and Paiakan himself never travels without one, using it to film the misery of Brazil's *favelas* – shanty towns – to discourage emigration to the white man's world.

The Caiapo are justly feared by many of the two dozen other tribes now arrived,

A Caiapo Indian and child during the dam conference

some of which have travelled six days to the meeting, but which have refused to camp with them for fear of attack. But their warrior tradition and tightly integrated social structure is probably why they have survived so far, though their total number – perhaps at best 8,000 – is thought to be only a twentieth of what it was 200 years ago.

Today, it is Caiapo determination, much of it attributable to Paiakan, that has persuaded the Xavante, the Araras and the bead-wearing Gaviao from 1,500 miles away to ignore centuries of enmity to join them in their common struggle against the *brancos*.

As the conference opens in a concrete community centre, Fernando Mesquita, the governor's ecology boss, discreetly pleads Brasilia's case in the wings – a tale of foreign debt and no resources. "The environment is not an isolated problem," he says. "There are 220,000 Indians, but in the largest *favela* in Rio de Janeiro alone we have 300,000 extremely poor people and 10 per cent of them are armed."

In the afternoon, the pro-dam movement mounts a formidable show of strength with a parade of poster-covered trucks – "Dam yes, gringos no," and farmers on horseback.

"It's just like cowboys and Indians," Geraldine comments later, "only for real." We are worried about her. She is threatening to don Indian warpaint and it is said to take two weeks to wear off.

Tuesday, lunchtime

ALL the gringos have got broad told-you-so grins. At the opening of the set-piece confrontation between the Indians and Electronorte, the dam-building authority, the good guys wipe the floor with them. Better still, the impassioned speeches and choreographed ritual violence made television worthy of a John Ford movie.

But just a few of us appear like Doubting Thomases at the feast. Is it really such good news that a project aimed at supplying energy and work to Brazil's starving millions should be seen off by the admittedly persuasive cause of what the anthorities claim will be the displacement of just 344 Indians?

There is a lot of talk about alternative energy sources and power saving measures, smaller dams and other sites. But even Stephan Schwartzman, of a Washington-based Environmental Defence Fund, coocedes that the dam appears technically efficient and would supply very low-cost power. Like everyone, howaver, be remains sceptical at Electronorte's promises to look after local ecology, and their alleged failure adequately to consult the people certain to be affected.

Back in town, Wanderlan de Oliveira Cruz, organiser of yesterday's pro-dam rally, confesses that he is sceptical, too. Altamira was built on the bopes of the great migrations in the early '70s when the then president promised that the Transamazonica Highway would offer "a land without men, for men without land."

Today, Altamira is a dump, its infrastructure creaking and not an asphalted road in town. "Only this dam will buy us the things we need," says Cruz, but he adds, "I told Electronorte that if they don't deliver, we will be out there with the Indians demonstrating too."

Meanwhile, more white chiefs have ridden to the forests' rescue. Anita Roddick of the Body Shop is here, full of fiery rhetoric and looking for plants. "I don't think this is a dress rehearsal," she warns. "At 46, I think we have only got so much time."

Sting, the pop star, bas also arrived. But Tam Dalyell is reported to be stuck at Rio airport and, oh dear, Geraldine ignored our advice.

Wednesday

XAVANTE warriors with pudding basin hairstyles are hogging tbe coffee stall tables outside the community hall. They are learning our manners.

Subversive rumours are circulating that our savages are more clever than noble. A Caiapo village chief, improbably known as Colonel Pombo, who is famous for his feather-duster beaddress, is said to own a private plane. Local pro-dam Altamirans hint knowingly that all the tribesmen are doing is upping the anti for compensation when the dam inevitably comes. There is no evidence of this, but the black propaganda serves its purpose.

Fernando Gabeira, the leader of the Brazilian Green Party, wbo once kidnapped a US ambassador during the military years, makes a good stab at convicting the sceptical hacks by claiming that Electronorte has badly overestimated future energy demand and its own resources. But it is only wbeo Allan Poole, an affable American with years of experience in Brazilian energy planning, puts a pragmatic, non-ideological case for a five-year delay that the remaining doubts are laid to rest.

Thursday, breakfast

AT THE Lisboa Hotel, Ms Roddick and a man wbo makes films about tropical medicine are discussing voice-overs. Reuters beat Associated Press to tbe coffee table. The Daily Telegraph is still in bed. Soon we will all be gone and Altamira will resume its normal lethargic rbythm.

But something hard to pin down, perhaps even important, appears to have happened here this week. For tbe first time, tbe collective voice of Brazil's Indian nations has been heard loud and clear across the world. To their surprise, the suspicious residents of Altamira have found out that gringos are, in the end, much like them – if ricber. And a real debate has taken place about an issue concerning the whole world.

After 21 years of military rule, Brazilian democracy is not merely taking over, but seems in rude good health. It was a pity that Brigitte Bardot failed to make it. But Tam Dalyell has arrived with two cameras for a stranded ABC crew. Unfortunately, neither works.

Christopher Columbus

England had the world at its feet but . . .

Tom Norris explains why the consequences of a decision taken 500 years ago are felt today

FIVE hundred years ago this month, the English government took a decision of enormous consequence. It declined to fund a modest scientific experiment.

The scheme's proposer pointed out its long-term promise – to revolutionise patterns of sea communication and so enable England to dominate world trade. He could not point out, because he did not yet know himself, that it could lead to the discovery of a New World which England could have been licenced to annex.

The proposer'a name was Christopber Columbns. The English government which took that disastrous decision was, to all intents, John Morton. Like Prime Minister Margaret Thatcher, he was born in the provinces to a family of modest means. Educated at Oxford he, too, trained as a lawyer, aimed at power and, once there, was remarkably difficult to shift.

He survived in government through the reigns of Henry VI, Edward IV and Richard III (a remarkable feat) and engineered the succession of Henry VII and the Tudor dynasty. He remained the latter Henry's Lord Chancellor (the medieval equivalent of Prime Minister) for 13 years, a period not yet matched even by Thatcher, and became a cardinal in 1493.

In economic affairs, Morton and Mrs T would surely have seen eye to eye – adjusted appropriately through the lens of their time, of course. Morton was possibly the most effective manager of the public purse in English history. He kept outgoings to a minimum, re-organised the system of taxation, and made the civil service of the day thoroughly efficient. In little more than a decade, England's finances were transformed from penury and chaos to order and prosperity. Even today, the term "Morton's Fork" is known scarcely less well than "Thatcher's Monetarism."

Shrewd as be was, though, Morton missed the greatest opportunity of all. Because of him, the New World fell to the Spanish and the effects of his failure are still with us; indeed, they always will be. For the result of short-term economy in the area of discovering knowledge is likely to be a long-term spectacular loss.

All that winter of 1488-89, Columbus had been pestering Henry VII and Morton to back his attempt to sail to the East Indies by heading west. He sent his brother, Bartholomew, to London in person to show them his maps, explain his reasoning, draw attention to scientific and historical evidence and detail the costs. He would need three ships at least, provisioned and manned for a two-year voyage. It was a *considerable* expense, but not a crippling one. The exchegoer could have borne it without distress.

Admittedly, neither Portugal nor Spain had jumped at the chance – so far – and England was only the patron of third choice. Bnt Columbus lived in Portugal and spoke Spanish better than English, so they had been offers of convenience. He might well have favoured the prospect of English patronage; after all, the development of his theory that the world was round had been inflnenced by Englisb experience.

The idea did not come to Columbus in a flash. He had heard a story long widespread in northern Europe, especially among mariners, that there existed somewhere out to the west a great, undiscovered land. They had even agreed on a name for it – Brasil. English deep-sea fishermen, in particular, had the possibility of its discovery in mind as they ventured further and further west in search of richer fishing gronnds: Ireland, Iceland, Greenland.

A subdued confidence was growing among them that where the same fish swam, the same laws of nature might safely apply. Perhaps the world did not suddenly drop off a western edge. And there is good evidence that Columbus accompanied at least one sucb voyage oot of Bristol in 1480 in pursuit of the knowledge the English sailors had already.

So, Columbus was favourably disposed to English participation and must have been hopeful of financial support. In the four years of Henry VII'a reign so far, Morton had been seen to manipulate taxation policy in favoor of overseas trade in Englisb ships, and here was Columbus offering the ultimate development – a monopoly on western trade with the Indies to supplant the Venetian stranglebold on Eastern routes.

Bartholomew Columbns did well. He achieved a succession of interviews with the king and his council. He caugbt tbe king's interest and appears to have been close to clinching the support his brotber needed. Such contemporary evidence as survives indicates that Henry had a flush of enthusiasm for exploration and discovery, almost at tbe level of Prince Charles for architecture today.

However, something was said by someone to cool down the king. It seems logical to dednce that it was said by John Morton. His was the dominant voice in council. He was its only ever-present member. He was wise, experienced, rational and successful. He was correct basically in his assessment: the cost of funding the voyage was known and considerable; the gain was unknown and speculative; the scheme was in competition with many otber calls for spending; tbe government should fund only what it had to; ergo, it should *not fund Columbus*.

Unfortunately, tbe conclusion proved short-sigbted. Within Morton's remaining years in office (he died in 1500), be was to find himself funding more expensive voyages – for example, tbose of John and Sebastian Cahot – in a vain attempt to retrieve what had been missed.

Today, other scientific experiments again call for public financial support. To take just one examnple, the HOTOL concept - for a re-usable shuttle that would carry passengers and cargo on the edge of space – appears to be one of potentially gigantic consequence, possibly capable of opening new dimensions in transport and trade. Tbe rationale applied by Morton to the Columbus experiment appears, unfortunately, to be winning tbe argument once more in this case: certain cost, speculative gain - therefore, no action.

Chess

IF YOU ARE among the several thousand players who compete in league chess in Britain'a cities, you might well have had gamea settled hy adjudication. Many inter-club matches start half-way through tha evening and finish after two or three hours to allow for last trains home and impatient hall caretakers. It is too awkward to arrange a second session, so the normal procedure is for the gama to stop somewhere between moves 30-40 and for the result to be judged by an independant expert.

Adjndication obvionsly handicaps your endgame skill, since few encounters last that long. It would benefit improving players if the normal time rate of 30 moves in an hour and a quarter was replaced by 24 in an hour and then accelerated to 15 or 20 moves in 15 minutes. There would be blunders at the latter stage but players would be more responsible for their own results.

Experience has shown, however, that league players are a conservative bunch and any innovations to time rates meet fierce resistance at annnal general meetings. Thus, adjudications are likely to continne for many years yet and the question for the practical league team member is how to maximise chances under these special conditions.

The main parameters of league chess are that the game will last many fewer moves than in a tournament; and that the position at the end will be judged, assuming the adjudicator does his job properly, by the same highly objective standards as a master contest.

One implication is that a stronger player should avoid highly atrategical systems where *the board is likely to* be blocked, and should also be cautious about highly booked openings which are analysed to move 20 or beyond. Conversely, the weaker side should aim for conventional variations like the closed Rny Lopez, where you can progress a good part of the way towards the haven of move 30 while remaining in the shelter of Batsford Chess Openings or ECO.

Another key factor in adjudication chess is that material advantage gains in significance. If yon are a pawn down with no special compensation in a tournament, there is still all to play for with many chances to turn the game round, pull off a tactical escape or squeak an endgame draw. But be a clear pawn down at move 29, when adjudication is at move 30, and your deficit might as well be a queen. Even if the technique to clinch the extra pawn would take another 50 moves, the adjudicator will award a win.

Players involved with adjudication should bear in mind the psychology of the expert who will decide the result. The league secretary will probably send him half a dozen positions at once, a few of which may well he real brain-teasers requiring an hour or more of detailed analysis. Many positions, however, are marginal and unclear, with chances for both sides and no clear-cot lines.

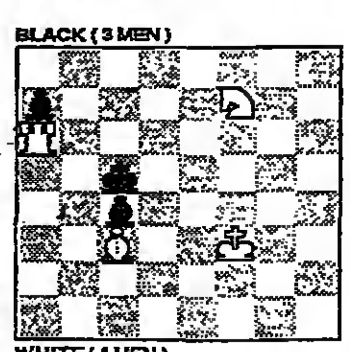
If you have one of those, the rule of thumb is to claim a win even if you don't think yon really have more than a draw. It is likely that the other side will also claim a full point and the harassed adjudicator will be tempted to award a draw as the road of least resistance. This technique has the drawback that it costs the fee for an incorrect claim, so sophisticated match captains may be able to pre-empt events by direct negotiation.

Coming up to move 25, you have a slight edge but material is level and there is no forcing line. What should you do in the last few moves before time is called? The recommended technique is window-dressing: put your pieces on the most active and impressive squares available. Centralise knights, place rooks on open files, line up the hishops towards the enemy king. In marginal situations, which form a large part of the adjudicator's diet, he will be impressed hy the general look *of a position* in *deciding* between a win and a draw.

Objectively speaking, the correct verdict would be 0.75 to one side and 0.25 to the other, but the adjudicator is not permitted that choice. If you get the verdict on the general strength of your position, it is very hard for tha other side to appeal successfully.

Finally, remember tbe appeal procedure. Adjudicators are not infallible, and successful *teams will often ask* their top board to have analysis and conclusions prepared in case a decision has to be challeoged. It is good experience to analyse your own adjudications in depth with the aid of a chess computer. Motivation to find a win or draw aids insight, and you might even have the satisfaction of a successful appeal and proving the expert judge wrong.

BLACK (3 MEN)



WHITE (4 MEN)

PROBLEM No. 762

White mates in seven moves against any defence (by F. Anderson, 1931). A seven-mover sounds hard, but White makes exactly the same seqnence however Black replies, so it becomes a test of your skill in knight manoeuvres.

Solution Page XXIV

Leonard Barden

Bridge

BOTH MY hands today feature my friend Bruce Bell, the Kiwi star. The first one occurred at his home in Auckland when he and I were partners:

N
♠ J 9 8 4
♥ 6
♦ Q 10 9 4 2
♣ K 9 4

W
♠ A K 10 7 6 3
♥ K J
♦ 8 5
♣ 8 3 4

E
♠ 5 2
♥ Q 9 5 4
♦ A K J 7 6
♣ A 7

S
♠ Q
♥ A 10 8 7 3 2
♦ 3
♣ Q J 10 6 5

East-West were game and 60 when I dealt in the East seat and bid one diamond. Sonth over-called with one heart and West said one spade. I now said one no-trump, South said two hearts and Bruce bid two spades.

When this was passed to South, he tried again with three clubs. I raised my partner to three spades but South was not done. He said four clubs, I doubled and all passed.

Bruce led the spade king and switched to a trump. Taking witb my ace, I returned another club to the nine. Crossing to his ace of hearts, South ruffed a heart on the table, West following with knave and king.

Dummy's nine of diamonds was played. I took with my knave and followed with the king. Declarer ruffed and drew the last trump, then led the 10 of hearts. In the four-card ending, West held four spades to the ace; dummy held knave and nine of spades plus queen and 10 of diamonds; South held three hearts to the eigbt plus the club qoeen; and I beld spade five, heart nine, and ace and seven of diamonds.

I played my diamond ace and South made a mistake by ruffing it. If he discards, be scores one more trick. As it was, be led a beart to my nine and dummy was squeezed. Tbis rarity was thrilling and well worth the 700 points which we received.

The second hand of more recent vintage was played by Bruce.

N
♠ J 10 8 7 3
♥ K 5
♦ K 9 6
♣ J 10 9

W
♠ K 5 2
♥ A J 10 7 3
♦ Q 2
♣ Q 8 6

E
♠ Q 9 4
♥ 8 6 2
♦ 8 5 3
♣ 7 4 3 2

S
♠ A 6
♥ Q 9 4
♦ A J 10 7 4
♣ A K 5

At game-all sitting South, be was dealer and opened with ooe no-trump. North said two clubs, South replied two diamonds, North hid two no-trumps and South went to three.

West led the beart knave and won witb *the king. The* diamond king was cashed and the knave was finessed, losing to tbe queen. West was endplayed but he found a good return in the king of spades. South allowed this to win – brilliant.

The five followed, East ducked and tbe ace won. The declarer ran three winning diamonds and West was squeezed out of his last spade in order to keep two bearts and tbree clubs. The throw-in play was clear. South played his heart queeo, forcing West to win; and after cashing a second beart, West had to lead a club and give South three tricks in the suit.

Played beautifully – tbe duck of the spade king was very shrewd. Do you know many declarers who would have done it? And that is tbe technique which helped New Zealand to win so many matches.

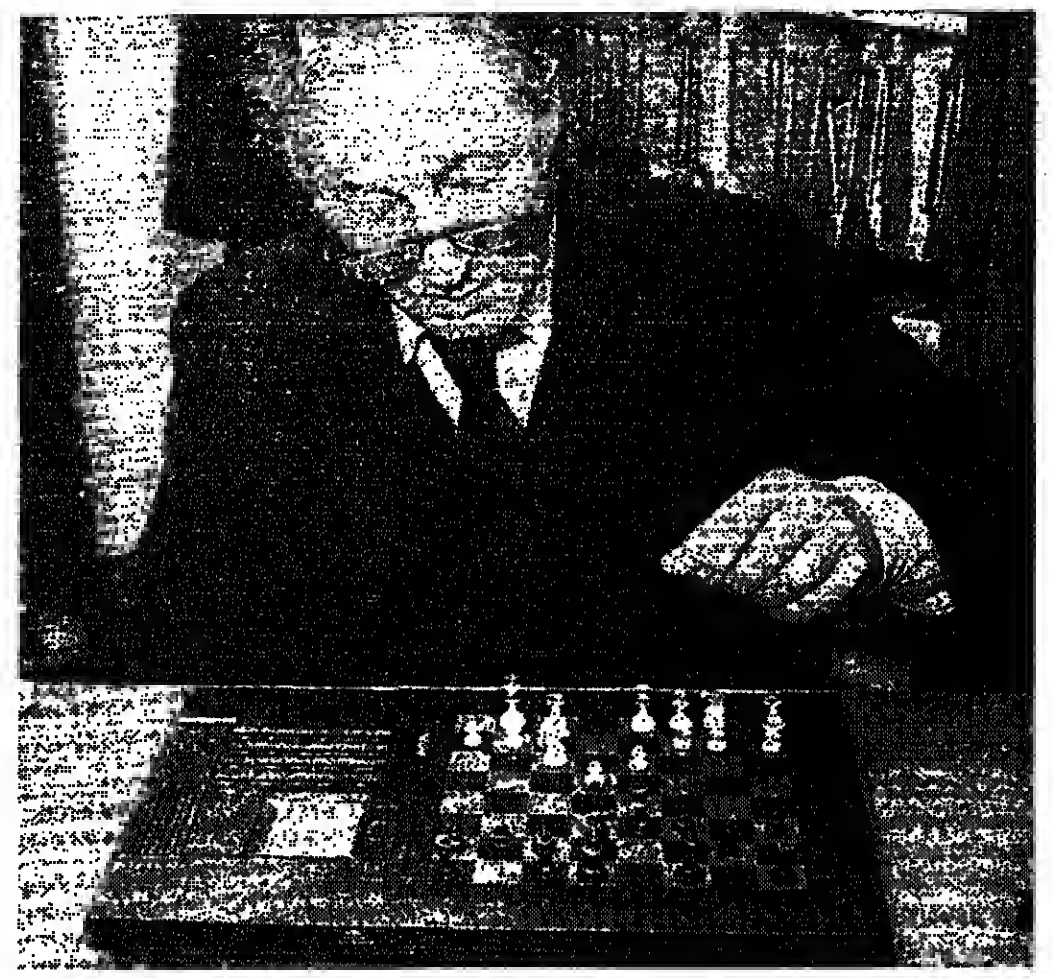
E. P. C. Cotter

So who needs a human opponent

Anthony Curtis discusses chess computers that tax most amateurs and can even beat the experts

SOME PEOPLE have an instinctive aversion to playing chess or any traditional board game with a compnter. They feel it is degrading to play against a faceless, inhuman mechanical opponent, and peculiarly humiliating to lose against one. They miss the camaraderie and the rivalry arising from a "friendly" game against a fellow-human being.

This is an understandable reaction, but it would be a pity if it prevented anyone from benefiting from the lessons which almost all but the very strongest players have to learn from computer opponents. These should be thought of as coaches or seconds with which you can learn to master aspects of the game hitherto beyond you. Thanks to the computer's patience and exactitude, you nearly always return to yonr human opponents a vastly improved player.



Anthony Curtis tries his skills against the Simultano chess computer

Dedicated games computers, and software games programs for use with home computers, have made enomous strides over the past 10 years. The incentive for the companies that have funded the resarch into the dedicated models – such as the American Fidelity, the German Mephisto, the Scandinavian Novag and the Swiss Saitek – is based on a knowledge thet a successful model can be marketed extensively all over the world. There are now two or three international chess tournaments in which all the contestants are computers.

It is important to realise that a chess computer does not merely learn huge sequences of moves by rote and re-produce them; it is programmed to evaluate the position at each point with considerable subtlety and depth, and then to make a decision as to which piece to move and where. The Victor Frankensteins who do the programming often cannot themselves beat their own computers once these are fully fledged and fly the nest. A chess computer recently defeated former US champion Arnold Denker by 3½ to ½ in a set match, and several present champions have been beaten or held to a draw by a computer in a simultanous display.

True, this is against the very latest models – or their "mainframe" big brothers – but there are now hundreds of versions available commercially from stores and specialist dealers. Any compnter from the Novag, the Fidelity or the Mephisto stables would be likely to give the average player honrs of enthralling chess.

At the top of the range, the Mephisto Almeria has a very strong programme combined with rapidity of response and uncommon features such as multiple game storage, memory retention of the game in progress if you switch off midgame, and the user's option to extend the opening book. But it does have a price tag of around £900 to £1,400 according to the type of board and other extras.

Coming out of the stratosphere price-wise, there is Novag's Super Forte range starting at £279 and Fidelity'a Excel range, of which the 6800 Master/Mach 3 costs £389. At the other end, there is Novag's Solo at only £18 and the VIP at £77 - this is hardly bigger than a pocket calculator and can be used with any chess set of your choice. An improved Super VIP model is on the way.

Software chess programmes are comparatively inexpensive but you must check first that they are compatible with your home computer. CP Software has just come out with Clock Chess '89 at £19.95. This has a aharper 3-D graphic display than earlier programmes, an improved playing strength, dozens of options, and works with the Amstrad PCWs.

One of the most intriguing of the new models with an attractive price tag is Kasparov Simultano (£199), marketed by the Swiss company Saitek (formerly SciSys) and manufactured in Hong Kong. It has all the functions that are now standard in a chess computer: a built-in time clock; more than 50 different levels from novice to championship; a range of functions that inclnde problem-solving, analysis, take-back, self-play, change sides and position evaluation; and an opening "book" of reasonable scope but which may be amplified by an additional module (£44).

The Simultano is styled in black and pewter colours and runs either off a mains adaptor (another extra) or six C-type batteries, which give it a useful portability. It works on the sensory principle. Yon press down on the piece you want to move and then press on the square to which you want to move it, and the Simultano responds by flashing lights indicating this move.

Not only that – it also indicates the moves on a tiny screen above the keys which shows an illuminated diagram of the board. This is a fine idea because, as anyone who has ever played chess against a computer will tell you, it is all too easy to get the position wrong at a vital juncture and to have a built-in check of this kind is a great advantage.

This LED screen also lets you mark key positions and play forward from them. The only snag on my model was that it had a frustrating tendency to freeze up in the middle of the game, requiring you to press the awkwardly placed re-set button and start again with loss of data.

Simultano also has a Library function enabling you to store games (your own or other people'a) in its memory and replay them on the board at will. Finally, the function from which it derives its name: it will play up to eight games simultaneously against different opponents, or *you* can play all eight games yourself in emulation of a grandmaster.

I played it against my Novag VIP, which I find hard to beat. The overall resnlt, with both computers playing at 60 moves per 60 minntes over half a dozen games, was about even stevens. In a coming column, Leonard Barden will discuss the moves of one of the games where Simultano, two pawns down, sacrificed a rook to force a draw.

☐ Kasparov Simultano Chess Computer (£199, basic price) is available from Contemporary Chess Computers, 2/3 Noble Corner, Great West Road, Hunslow, Middlesex (tal. 01-577-1700); and from Just Games, Brewer Street, London, W1 (tel. 01-437-0761).

Countrywide Computers, 1 High Street, Wilburton, Cambs, CB6 3RB (tel. 0353-740-323) stocks all makes of chess computers and will anpply a rating sheet on request.

CP Software, 189 The Hill, Burford, OX8 4HX (tel. 099382-3436) is the maker of the Clock Chess computer disc and of other games programs including draughts, bridge and backgammon for home computers.

Eureka

Music fans: get wired for sound

MUSIC wherever you go. This is what some people want and they go to all sorts of trouble wiring their homes to distribute high-fidelity to speakers in other rooms.

It might be wonderful listening to Bach in the bedroom but you also have to put up with the unsightly mess of wires running along the skirting. Some people lift the carpet and floorboards to hide the cable, but they could save a lot of trouble by buying a new speaker system that uses the mains electricity network to distribute the signals.

It's called MGM Plugaround Sound. The system has two separate parts: a small black box, or encoder, and a set of two speakers. It works like this: attached to the encoder is a three-prong plug and two thin wires. The plug goes into the mains and the wires into the back of the amplifier or headphone socket. The encoder takes signals from the amplifier and sends them into the mains wiring circuit throughout the house.

The signals are similar to those sent along ordinary speaker wire. They differ in that the encoder massages them to be able to "piggyback" on the electricity running through the mains. This may sound alarming but the signals are passive and the system is no more dangerous than any other electric device.

Once the signals are in the mains wiring, you plug the set of speakers into a convenient mains plug and out comes the music that's playing on the hi-fi. You can move the speakers from one room to another simply by plugging them in.

The system is ingenious – and it works. The speakers look good, you can screw them to the wall easily with special mounts and it is relatively easy to set up. But the sound quality can be described only as acceptable, and you can still see wires.

Using mains networks to send low-power signals is not new. Computer makers have tried the system to network personal computers in office blocks, but the products have failed to catch on because interference usually distorts the message.

It is interference again that reduces the effectiveness of the Plugaround system. It will not work effectively in a room with a word-processor or computer in action, which means it is unsuitable for a home office.

Plugaround does not like dimmer switches, especially the cheaper models, or the noise filters sometimes attached to the mains circuit when computers are in use. The installation brochure warns that household appliances might also cause problems and ahould be disconnected. Some might find this a little tiresome.

Only one of the two speakers is plugged into the mains. It contains a decoder, which converts the signals from the encoder, and a small amplifier that is rated at 10 watts a channel. The two speakers are connected via conventional flex and there is an on/off switch and volume control.

The speakers produce a soft but pronounced and irritating hum, even when no music is coming through. Under ideal conditions, with a feed direct from a compact disc player, the sound is, to my ears, heavy on bass and not as clear as a portable stereo cassette player. People who enjoy rock and pop might not find these problems as much of a drawback as those who like opera or the quieter classical pieces where clarity is important.

Using Plugaround Sound will always be a compromise because there are too many possible sources of interference. The system does not claim to produce hi-fi quality sound bnt it is sold on the assumption that it saves trouble with wires. However, the speakers still have to be plugged in, which means locating them near a power point and trying to hide the mains lead. There is also the visible wire connecting the pair of speakers.

The systems costs £200, which is expensive when compared with, say, a portable Sony CD player at £180. If you want music wherever yon go, it would seem more prudent, and certainly a lot cheaper, to buy a stereo radio cassette and use tapes of your favourite pieces.

For MGM Plugaround Sound stockists call 01-629 6006.

* * *

One of the Plugaround's less significant problems is its ability to pick up the neighbour's music if there is a similar system in use next door, although this only happens when you have your hi-fi switched off and the Plugaround speakers on.

This is a similar problem to one experienced by people whose neighbours use devices called "video senders." These are small broadcast units that are attached to a video recorder and send the signal to other sets in the house without the need for wires. Some TV viewers have been surprised to find themselves watching, say, their neighbour'a erotic videos rather than the news. The Government is thinking of banning the devices. What a pity.

Peter Knight

☐ *Peter Knight is editor of FinTech 2 – Electronic Office*

Food for Thought

Crazy about canapés

MANY people who cook regularly, enthusiastically and well for family and guests will get the caterers in when it comes to cocktail food. I suspect that the reason is not that cocktail food requires impossible and arcane skills, but rather that its preparation is tedious, fiddly and time-consuming. However, professional canapés whicb are designed to make a pretty pattern on the dish usually *remain* on the plate.

I do not want to put caterers out of business. But when it comes to cocktail parties in the home, I should like to see an abandonment of the idea that the titbits on offer sbould look "really professional" and make a case that they should look amateur: viz home-made, because they *are*.

Yes, you are right in thinking that my new-found enthusiasm for cocktail food is becanse I've just made it myself – although when I heard that there would be about 60 people my heart sank a bit, because I reckon that meant 360 canapés.

But what, you may be asking, about wine and cheese? Well, at the moment it appears that you might as well invite people to a wine and cyanide party, so neurotic have some become about cheese. But apart from that, wine and cheese is a proper fill-up meal, what with the bread and all. So wby attend at the cocktail hour of 8 pm? Why not stay around till midnight, soaking and blotting? If that's what yon want, then have a wine and cheese party.

However, I have never given a wine and cheese party and I'm not going to start now. So canapés it is. The main problem with these is that you can't do them as far in advance as you would like because, working with bits of bread or toast, your savoury toppings will soon turn everything soggy.

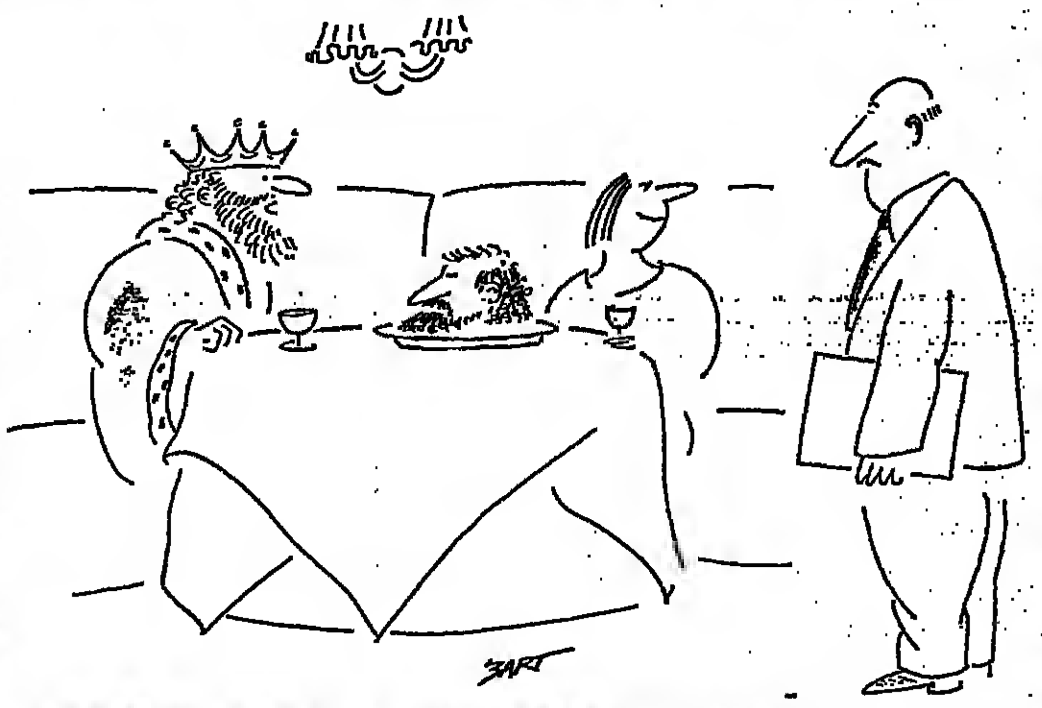
Yes, you can fry the bread, bnt it will be *fried* bread. I reckon the Frencb know a thing or two about this. So, set to with your ordinary sliced white loaf and cut out tbe shapes yon want – square, round, lozanges, fingers, all four. Butter them ligbtly on one side and put them in the oven for about 40 minntes. They come out crisp, golden and impermeable – but even so, they won't stay crisp for ever, so on . . .

Smoked salmon is the canapé-maker's friend. Those who feel it's too expensive or too boring can fall back on kippers. You can't convert kippers into those uniform, edible shapeable sheets in which smoked salmon comes from the shop, but you can and should slice it very thinly. A little goes a long way: you won't get 360 canapés out of one kipper, bnt qnantities are at your whim, so don't be daunted.

Another thing you really need is an icing set – a forcing bag and set of nozzles. I bought one for £1.29 in Safeway. You're not going to do any icing but you will need to twiddle on a bit of cream cheese and so on.

Salami, lemons, olives and nuts should all be to hand in modest quantities. Anchovies and prawns are a good idea too, tasty and fairly dry things. The best canapés I have ever had came with the aperitifs at Michel Guerard's in Eugenie-les-Bains, where there was obviously no worry about leaving things till the last minute. The little slivers of bread (buttered and toasted in the oven) were still hot and topped with an ice-cold mixture of finely diced tomato, cucumber and tarragon. Wonderful, but hair-raisingly risky. The contrast of temperatures is essential and so they must be eaten at once. I imagine there is a man in Guerard's kitchen with nothing else to do.

Canapés are very nice – but



"My daughter has changed her mind . . . she'll have the cannelloni after all"

they are not all. You will also make some ordinary shortcrust pastry, roll it out quite thin and bake a host of little tarts in one of those tins sold for making petit-fours. Bake them blind and yon can fill them with a dob of chopped onion stewed in olive oil (not butter if you're eating it cold) with a scrap of black olive or curled anchovy on the top, or a kind of quiche custard with onion and bacon.

Pastry holds up better than bread with a damp filling, so your tartlets can be the moist part of the offering. Yon squeeze the filling in through the biggest nozzle of your icing set; it's much neater than a spoon.

It's a good idea to arrange these things on trays rather than on plates. Apart from giving a false impression of lavish hospitality, trays can go back to the kitchen for refilling and re-arranging more readily than plates, which get pnt down next to the brimming ashtrays, half-consumed and grubbily unattractive. I use what I believe to be caterer's refrigerator trays, rectangular white plastic, cheap and washable. Food looks nice on them and they are flat, so your little hand-crafted gems don't all roll to the middle as they would on a plate.

Peter Lewis

Wine

Franco-American ventures in the vineyard

Edmund Penning-Rowsell goes California dreamin' . . . and tastes the fruit of the West Coast vines

ON A trip to California I tasted two new wines, the result of unusual Franco-American vineyerd ventnres: Opus Ona, the collaboration between Robert Mondavi of Napa and Baron Philippe de Rothschild; and Dominus, the offspring of Christian Moueix (of Pétrus, Trotanoy, etc) and a small Californian group, the John Daniel Society. Both are based on the Bordeaux Cabernet-Sauvignon grape, blended with some Cabernet-Franc and Merlot.

The first Opus One vintage released was the 1979 (2,100 cases): but as the new 140-acre vineyard was not planted in Oakville until 1982, for some years the wine was made entirely from Mondavi's own vineyards. In 1984 10 per cent of tbe blend came from the new vineyard but, even in 1987, only 35 per cent derived from there. It is expected to be 1997 before the property is self-sufficient.

In the Mondavi winery, I was able to taste from the 1979 to the 1987 vintages and, alongside these, Mondavi's top-quality Cabernet-Sauvignon Reserve of the same years. Here are my brief comments on each wine in tbe order tasted:

Opus One, '79: fruity but not mucb behind it; Mondavi Reserve, '79: very good colour, developed flavour; OO, '80: minty, lacks complexity, a little short, out very drinkable now; MR, '80: good colour, minty, black-currant nose, strong flavour; OO, '81: biscuity nose, lacks much character; MR, '81: tobacco nose, raspberry-jam flavour, one-dimensional; OO, '82: almond nose, fairly forward, oaky, fair balance; MR, '82: lighter than '81 but rich in flavour, good balance; OO, '83: fairly light and more Bordelais in style, with more Cabernet-Franc employed than in any other vintage. Easy drinking, if lacking a little distinction.

MR, '83: vanilla, lanolin, oaky nose, charming, easy-to drink wine; OO, '84: fine nose, fairly forward flavour, less long than succeeding '85; MR, '84: less nose than '85 but oaky, lacks a little character; OO, '85: big wine but some elegance on nose and a flowery, fruity flavour; better balance than MR but long and concentrated (12,500 cases released); MR, '85: buge colour, lovely ricb nose and flavour, great concentration. Both need a long time to develop.

OO, '86: very rich, with more nose than MR if less powerful, with better balance and more distinction; MR, '86: very tannic, bottle-sick (eight weeks only in bottle), very closed. Hard to taste; OO, '87: (cask sample) very oaky, almond nose, less opulent than MR but with rather more refinement; MR, '87: very oaky, very rich, opulent. All Opus One vintages are matured in new oak.

Comparative tasting of Bordeaux and California 1970 Cabernet-Sauvignons

1981 Voting order and total marks		1981	My order	1988 Voting order and total marks		1988	My order
1	(57)	Beaulieu Private Reserve	2	1	(54)	Beaulieu Private Reserve	1
2	(65)	Ch. Lynch-Bages	7	2	(72)	Mayacamas	9
3	(69)	Ridge Monte Bello	3	3	(74)	Mondavi Unfiltered	2
4	(80)	Mondavi Unfiltered	1	4	(76)	Ch. Lynch-Bages	6
5	(82)	Ch. Latour	6	5	(83)	Heitz Martha's Vineyard	5
8	(84)	Ch. Lafite	5	8	(85)	Ridge Monte Bello	3
7	(89)	Freemark Abbey Bosche	4	7	(92)	Ch. Latour	5
8	(93)	Ch. Lafleur	8	8	(93)	Ch. Ducru-Beaucaillou	8
9	(98)	Ch. Ducru-Beaucaillou	9	9	(97)	Ch. Figeac	4
10	(110)	Mayacamas	10	10	(99)	Ch. Giscours	10

Originally, the wine was available only in the US but, last October, tbere was a launcb at Monton-Rothschild of 2,000 cases of the 1985 vintage available for Europe; and at a lunch in Mouton's Grand Chai the '85, '84 and '82 vintages were served.

Here, the '85 was generally rated best: full of vigour, flavour and backbone. The '82 was distinguished but now I found the '84 less interesting or distinguished. From tha '82 onwards, all the wines need more time to develop. The US price per bottle has been $50 and the average UK price about £40 or a little less. Among London stockists are Les Amis du Vin, 51 Chiltern St, W1, Fortnum & Mason, Harrods and La Vigneronne, 106 Old Brompton Road, SW3.

Dominus derives from the former John Daniel Napanook vineyard in Yountville. It is planned to extend the 67 acres planted already to 82 acres by 1992. The first vintage, 1983, has not yet been released but the '84 – 75 per cent Cabernet-Sauvignon, 25 per cent Cabernet-Franc and Merlot – was marketed early last year, with 4,200 cases.

I tasted four vintages, the two youngest from cask samples. The Cabernets in this part of the Napa Valley are said to be very rich

The '84 was rich and astringent, with some tannin and certainly not ready; '85: Also astringent and tannic, but a lot behind it and developed in the glass. The one I liked best; '86: very tannic and astringent, dried the mouth: a big 13-degree wine; '87: very opulent nose, rather resembling a Pomerol, but the flavour more Médoc-like.

I am inclined to think that Dominus will take longer to come round than Opus One, but eventually might be more distinctive. It was marketed initially in the US at $35 a bottle but soon sold at a premium. Three firms who list it in England are Adnams of Southwold, Suffolk (£20.36), Haynes, Hanson & Clark, 17 Lettice Street, London SW6 (£22.70), and Lay & Wheeler of Colchester, Essex (£24.38). These wines must be kept for as yet undefined periods.

A question asked often about California Cabernets is: "Do they keep, and how do they develop?" Robert Parker, whose newsletter, *The Wine Advocate*, influences American fine wine devotees strongly, set out to answer it by tasting the top wines of the 1970 to 1986 vintages.

His initial answers are that such wines held up extremely well for up to 20 or more years and retain a "seductive, grapy fruitiness" that preserves their freshness even up to 10 or 15 years; but they "do not seem to develop tha great aromatic complexity that fine Bordeaux do with age."

This I found of particular interest, for during my visit I was invited to join a tasting group of 14 academics and professional people who meet twice a month. I was invited because the programme was substantially the same as I had attended in March 1981: a blind tasting of five top 1970 California Cabernet-Sauvignons and five important Bordeaux classed-growths.

There were only three changes in the original ten: Ch. Giscours for Ch. Lafite; Heitz Martha's Vineyard for Freemark Abbey; and Ch. Figeac for Ch. Lafleur. The three other identical clarets were Chx. Ducru-Beaucaillou, Latour and Lynch-Bages; while the four Californias were Beaulieu Private Reserve, Mayacamas, Ridge Monte Bello and Robert Mondavi unfiltered. All five Californias were on Parker's list of his top seven 1970 Cabernet-Sauvignons.

We were asked to vote our order of preference from one to ten, and the votes then added up, with the *smallest* total representing the *most* favoured wine, the biggest the least.

The table shows the results of both tastings, neither of which was very favourable to the Bordeaux, although it was pointed out that the Giscours, which tasted disagreeably fishy and chemical, had come from a year in unknown storage conditions. Both in 1981 and 1988 only one claret,

Lynch-Bages, got into the first four in the general vote, with none in my 1981 list and only one, Figeac, in the 1988 one. It must be said that, in Parker's words, 1970 was "one of the great red wine vintages for California," while in Bordeaux, although greatly hailed initially, the wines have remained obstinately closed and tannic.

HOW TO SPEND IT

*Looking for good craftsmanship? Want to buy the best opera glasses or a quality kitchen worktop? **Lucia van der Post** has the answer*

The look that tells

BETWEEN THE chintzery of the country house set and the black leather and chrome of the aggressively modern, there is the kind of gap that sets clever marketing chaps clicking away with their calculators. It is a gap that many have tried to fill but most have ended up falling through. The crying need seems to be for a way of furnishing, a look, a life-style if you like, that is of today – that doesn't hark eternally backwards but yet offers comfort and decorative appeal and is absorbed easily into real lives. It's the lack of just such a look that sends hundreds of the young scurrying to the antique shops and auction houses where they look for pieces with the kind of personality and character that much modern work lacks so distinctly.

Starting in a small way, there are groups of furniture makers and craftsmen who understand this need and who are feeling their way to providing it. A hopeful straw in the wind is the opening of Wilson and Gough at 106 Draycott Avenue, London SW3, where Julie Wilson-Dyer Gough aims, as she says, "to create a fitting showcase for all that is best in contemporary craftsmanship." In other words to offer a wider platform to the work of contemporary craftsmen and designers.

Here, those who are tired of the mass-produced and the machine-made – who are searching for something special and unique, for something both decorative and functional – will be able to take in a wide range of work by furniture makers, *ceramicists*, silversmiths, metalworkers and painters. Halfway between a gallery and shop, it seems to serve the two needs excellently. With a lovely cool interior designed by David Chipperfield, who was also responsible for the Issey Miyake shops in Tokyo and London's Sloane Street, it is sited intelligently just where the people most likely to be interested seem to be gathering at the moment – London's Brompton Cross, just opposite *the new Joseph shop*.

Julie Wilson Dyer Gough isn't, of course, the first to try to find a wider market-place for fine craftsmanship; but she is doing it with rare commitment and panache, and anybody interested in just what our craftspeople are up to should make a point of paying a visit.

It is a rare pleasure to wander around and a good source of presents (there are small bowls and other objects at prices starting as low as £20) as well as substantial pieces of furniture. I like particularly the work of André Dubreuil – his fine, highly decorative metal furniture shows triumphantly that it is possible to speak a visual language that is modern and, satisfyingly but not superfluously, decorative. Look out, too, for Sarah Simpson's exquisite paper bowls, for woodwork by Anthony Bryant, for glass by Anna Dickinson.

André Dubreuil's wrought-iron chair

Julie Wilson Dyer Gough in her shop-cum-gallery with a selection of work

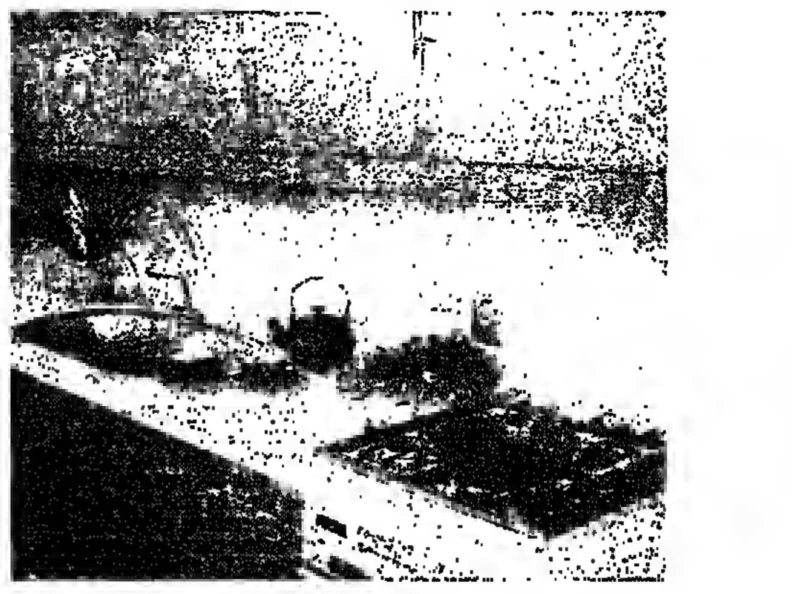
Tony Andrews

Come on, my old china

A FEW weeks ago I wrote about Chinamatch, a service recommended to me by a satisfied reader. Chinamatch has since moved, so anybody wishing either to buy or to sell china that is no longer in production should write to the new address: Chinamatch, St Pirran, Lea End Lane, Alvechurch, Birmingham. B48 7AX (tel. 021-445-1169). Letters have been forwarded but please note the new address.

■ Emporio Armani has *arrived with much fanfare* and a personal visitation from the maestro, Giorgio Armani, himself. At the flagship store at 191 Brompton Road, London SW1, will be the complete Emporio Armani collection – Armani fans will already know that this is the least expensive (but still by no means cheap) end of the Armani range. Aimed at a younger, more casual market, it is designed to capture the spending power of those who *like the Armani style but can't* afford the prices of the distinctive, top-of-the-range black labels. Suits for men, casual wear for men and women – they're all there. And while you're debating on that new denim, you can indulge in some chic Italian titbits attended by equally chic Armani-clad waiters. For the opening of the grand Giorgio Armani labels takes place next month in Sloane Street. Watch this space.

■ The response to our Okavango Wilderness Safari has been tremendous and letters, cheques and requests for detailed itineraries came winging their way from Gloucestershire and London, Paris and Geneva, South *America and Portugal.* Botswana is one of the last great wilderness areas of the world not yet over-run by four-wheel drives and walkie-talkies and our little group will, I believe, find it a very special experience. We are already thinking of running a second one. Anybody who couldn't make those particular dates and might be interested to go at another time should write to me at the FT. James Ewart *of Grenadier Travel and* I will see what we can do. The Zimbabwe safari still has room for one traveller – anybody interested should let me know immediately. The dates are September 15 to October 1.



A SPLENDID way of giving new life to a rather dreary set of kitchen cabinets is a new worktop. Junckers is a Danish company now operating in Britain which specialises in wood worktops and floors. It offers natural woods – *beech or oak* – but they are treated in a variety of ways, giving lots of different colour tones. There is the white pigmented beech featured in this photograph, and there are golden honey tones deepening to the darkest of all, the sylvaket beech.

All the wood is treated with oils, all are water-resistant and hard-wearing. If anything frightful should happen – for instance, too many cutting marks on the surface or burn marks – then the spots can be sanded by hand and re-oiled and finish up looking as good as new.

Only very competent do-it-yourself carpenters should consider adding new worktops themselves. Anybody less confident should try to find a handy, skilled carpenter who should be able *to fit the worktops easily and* neatly.

Prices are around £82 per linear metre. Junckers has an excellent technical service division which is happy to answer all questions by phone (0376-517-512). In about six weeks, it will be bringing out a leaflet which will tell you everything you ever wanted to know about wood worktops. These (and, of course, the wood for the flooring) can be bought direct from Junckers, Wheaton Court Commercial Centre, Wheaton Road, Witham, Essex CM8 3UJ.

A sharp eye on the opera

NOT ALL OPERA, of course, is for the big league spenders; there are those who queue hours for the gods, and those who enjoy magnificent evenings in venues far less costly than Covent Garden. But, however much it costs *and wherever we see it*, an evening at the opera is always a special occasion and well worth taking trouble over.

High on my list of priorities these days are opera glasses. Those who arrive at the Royal Opera House, Covent Garden, without any might like to know that the Opera House shop in St James Street is open until 7.30 pm (when most performances start) and it sells several different models including disposable ones (yes, really) that do work very effectively. Made from card paper with a plastic lens in the middle, they retail at just £1.95 and they are also available in the foyer if you arrive too late for the shop.

But if you're a frequent opera-goer (or, indeed, a frequent viewer of the ceilings of Renaissance chapels or lofty architecture), you will want a pair of your own. How, then, do you choose? Given that you can pay anything from about *£45 to well over £200 (and even* £350), it is important to make sure you buy the right ones. The main points of difference are size, weight, finish and optics – with optics and weight probably being the most important for serious opera-goers.

Higher-priced models do not usually give you optics of a superior quality. Much of the increase in price is because they are larger and have a more ornate finish, both of which may well be characteristics you could without.

David Rauch who runs Century Optical, a company specialising in supplying all manner of opera glasses to the retail trade, tells me that the magnification span varies from 2.5 times to 3.0 times, with the latter clearly being the one to aim for. The two main manufacturing countries are Japan and Germany and, generally, the Japanese models tend to be more showy and the German more restrained. Not only are the German designs more restrained to look at, in general they are still assembled largely by hand and have sharper and clearer optics.

The very best optics of all, it appears, are to be found in a Zeiss model seen rarely. It sells for about £350, weighs a ton, is very ornate with a dark brown casing, and generally isn't very practical. But, if seeing is all, then this is the model to go for (only about 10 a year are sold in this country and, if you did want a pair, a good stockist such as Asprey's or Garrard's would order it for you).

Most good pairs vary in price between £100 and £150 and David Rauch thinks probably the best buy overall is the Hertel & Reuss design at £170. He doesn't like the finish (black snakeskin) but it is an old, well-established design, is very light (which means it can tuck easily into pockets) and comes in a black zipped leather pouch. It gives 2.5 magnification but has great optical clarity. (Magnification is not the only yardstick – clarity is important, too, so try them all).

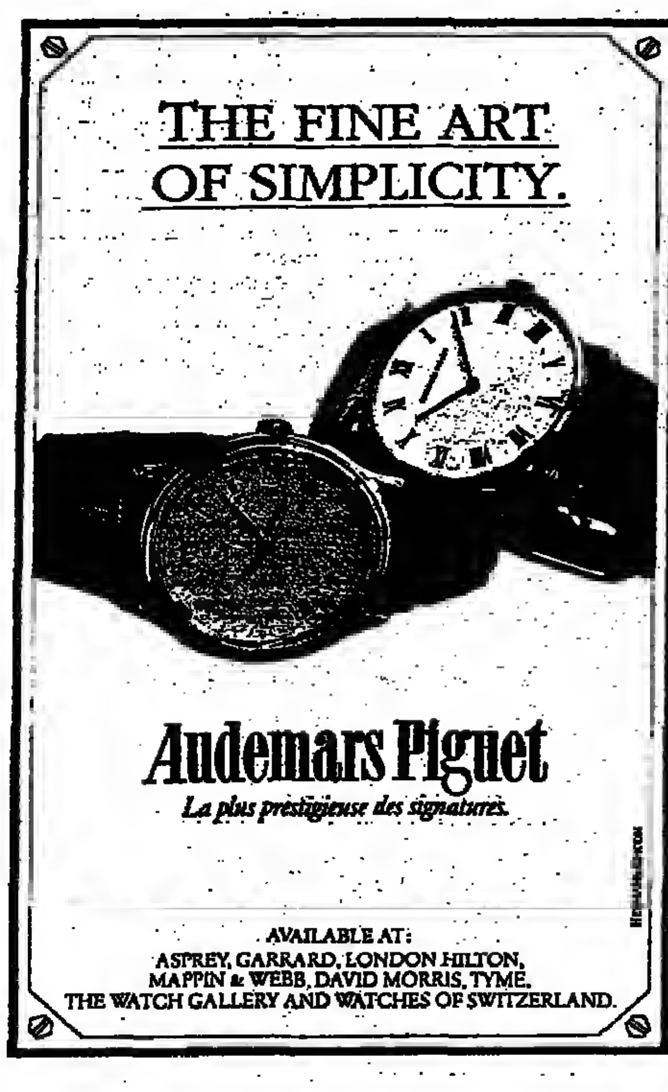
A good bread and butter model is the Red Burgundy by the Japanese firm of Carton – with 3.0 magnification and a rather ornate case. It sells at about £80 in Harrods and Selfridges.

Lorgnette opera glasses, *although intrinsically not* very practical, seem unaccountably popular. A model by the Japanese firm of Carton, highly embellished and really not very pretty, is a hot seller at about £130. Best value of all in our view, though, is a neat, small, plain black model by Eschenbach with 2.5 magnification. Most of the established sellers of opera glasses – Asprey's, Garrard's, the Royal Opera House, Fortnum & Mason, Wallace Heaton – sell it for about £59 but a small shop on Ludgate Circus, Edward Marcus, is selling it for £45.

If you want magnification of 2.8, the next Eschenbach model sells at £130, while a rather vulgar-looking mother-of-pearl with excellent optics and 3.0 magnification sells at £220.

Good shops out of London are J. Lizars of 101 Buchanan Street, Glasgow and of 6 - 8 Shandwick Place, Edinburgh, as well as the London Camera Exchange, 13 Cheap Street, Bath. Anyone with questions about opera glasses is welcome to ring David Rauch on 01-451-1351.

Drawings: James Ferguson



Cookery

Comfort for mad March days

***Philippa Davenport** searches out gutsy, no-nonsense recipes*

BLUSTERY February and mad March days call for comfort. This is the time of year I associate with hot water bottles and reading in bed. It's the time for tea, toast and Gentleman's Relish by the fire, and cosy reunions with old friends.

I want to give and to go to supper, not dinner, parties. We may gather round the kitchen table, perhaps, and tuck into good honest bourgeois or bistro-style cooking rather than refined and pretty derivatives of nouvelle cuisine. What we need now is no-nonsense warming dishes with gutsy flavours that sit fair and square on the plate and leave you feeling well-upholstered.

The sort of satisfying food that sums up exactly what I am after is pigeon. They may not be so classy as game, these portly little birds, but they are meaty and gratifyingly rich in flavour. One tried and favourite way to serve pigeon is in a pudding or pie. I suggest you include the breast meat only (use the rest of the birds and a generous slug of port to make the gravy), mixing it with fat bacon rolls, marble-sized balls of best sausage meat and shaggy black mushrooms. Pack the mixture into a suet crust-lined basin or top it with puff or filo pastry.

A coarse purée of lentils goes well with *such a pudding or* pie: the mealy taste and the "tweedy" texture make a pleasing change from mashed potatoes. For a second vegetable I would choose the humble cabbage, despised so often and so unfairly – but so easy to cook well. What could be simpler than a large Savoy or a January King? Steam for about 16 minutes, blot the wedges dry carefully and anoint them with a trickle of melted butter.

Here are some alternative recipes using this well-matched trio of good, honest ingredients to bring comfort and satisfaction to suppertime.

PIGEONS WITH LENTILS

Two plump pigeons; ½ lb whole green lentils; one large onion; the juice and zest of half an orange; generous ¼ pt each red wine and stock; a little butter and seasoned flour; coarsely-chopped watercress

Rinse the lentils under a cold running tap. Put them into a pan with the chopped onion and cover generously with cold water. Bring quickly to the boil and simmer for 15 minutes. Then drain roughly, saving the liquid, and put the lentils and onions into a lightly-buttered flameproof casserole.

While the vegetables are cooking, split the pigeons, dust them with flour and brown them thoroughly in a hot frying pan. Pour on the wine. Let it bubble up and cook for five minutes until reduced by about half.

Season the lentil and onion mixture with salt, pepper and finely-grated orange zest, and half-bury the pieces of pigeon among it. Add the stock and orange juice to the frying pan and bring to the boil. Pour the hot liquids over the pigeons, then bring the contents of the casserole to bubbling point on top of the stove. The mixture should be quite sloppy at this *stage: add a slurp of the* reserved lentil water if it looks at all dry.

Cover tightly and put the casserole into an oven heated to 350 F/180 C (gas mark 4). Reduce the temperature immediately to 325 F/160 C (gas mark 3) and cook until the ingredients are deliciously tender, one to 1¼ hours. Check the mixture occasionally and add a splash more lentil water if necessary.

Season and garnish to taste before serving. A stir-fry of leeks or the buttered cabbage pudding given below go well with this comforting dish.

BUTTERED CABBAGE PUDDING

(serves four to six)

One January King cabbage with plenty of good outer leaves, weighing about 2½ lb; one large onion and three garlic cloves; ¼ lb butter and *three tablespoons stock*; 1½ teaspoons cumin seed, reduced to a coarse powder; about two teaspoons flour.

Strip off about 10 fine outer cabbage leaves. Blanch them, blot dry, cut out the coarse central ribs and reserve. Shred the rest of the cabbage finely and set aside separately.

Chop the onion and sweat it in the butter in a large pan for seven or eight minutes. Add the chopped or crushed garlic and the spice (caraway can replace the cumin if liked, or juniper or chopped fresh thyme). Then add the shredded cabbage and stir for a minute or two to coat with the fat.

Season with salt and pepper and sprinkle on the stock. Cover and cook over a very low flame for about 30 minutes until the cabbage is tender and considerably reduced in bulk. Stir quite often to check against sticking and shake the condensation from the lid each time you lift it.

When the cabbage is ready, stir in a teaspoon or two of flour to mop up any remaining moisture and season lavishly with salt and pepper. Leave to cool uncovered so that evaporation continues. (I usually do everything up to this stage well ahead.)

Use the blanched cabbage leaves to line a well-buttered pudding basin. Overlap them well so there are no gaps. Spoon the cabbage filling into the leaf-lined basin, packing it down firmly. Cover with the remaining leaves and tie down with buttered foil. Steam for 45 minutes or so until thoroughly hot right through and unmould.

CASSEROLED PIGEONS WITH CABBAGE & CABANOS

(serves four)

Two plump pigeons; about 6 oz cabanos (or chorizo or other spicy sausage); one Savoy or January King cabbage weighing about 1½ lb; one large onion, one carrot and one celery stalk; orange zest, bay and thyme; 8 fl oz good chicken stock plus four tablespoons dry sherry; a little oil, butter, and well-seasoned flour.

Butter the base and sides of a large casserole lavishly. Quarter and core the cabbage and put the wedges into the casserole. Slice the sausage, carrot and celery quite thickly. Sprinkle them over and around the cabbage and season with plenty of salt and pepper, some thyme, a bay leaf and a few pinches of orange zest.

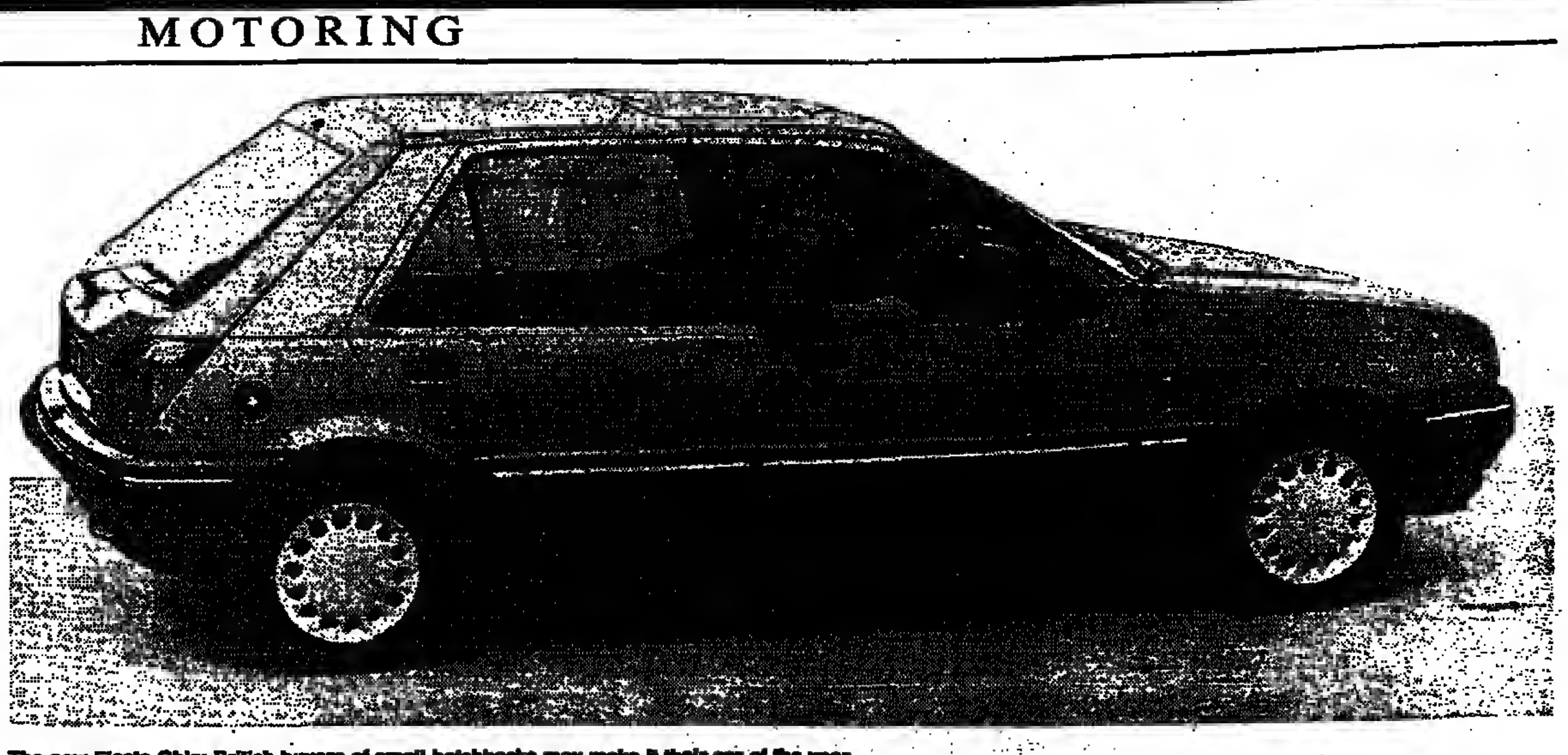
Split the pigeons in half, dust them with seasoned flour, and seal and colour them in a non-stick pan barely filmed with hot oil. Transfer to a casserole, arranging the joints flesh-side down between the wedges of cabbage.

Chop the onion, fry it briefly to colour it a little and scatter it over the pigeons. Add the liquids to the pan, bring *quickly to the boil and* pour into the casserole. Lay a sheet of buttered greaseproof paper directly on top of the ingredients, cover with a well-fitting lid and cook at 300 F/150 C (gas mark 2) for one hour.

Reduce oven *temperature* to 275 F/140 C (gas mark 1) and cook for a further 1½ hours or so until the ingredients are meltingly tender. (This is a good-tempered dish which will not spoil if cooked for a bit longer than necessary.) Check the gravy for seasoning

Ford's new Fiesta is a class above rivals

*And, says **Stuart Marshall**, it's been introduced at a time when the others are showing their age*



The new Fiesta Ghia: British buyers of small hatchbacks may make it their car of the year

I DOUBT THAT the oew Fiesta is a poteotial European Car of the Year 1990 although time will tell. But British buyers of small family hatchbacks may well decide it is their car of the year becaose Ford seems to have got it exactly right.

The 1.4-litre Fiesta Ghia I tried in the south of France earlier this month was a refined and lively car. At 80 mph (130 kmh) on the autoroute there was little road, wind or eogine ooise. In the hills, it cornered confideotly at the kind of speeds sensible owners would oot use. The loog wheelbase (lnnger than the preseot Escort's) made the ride even better than I had expected.

In town traffic, the steering remained light and the Fiesta was easy to park. The five-speed gearbox and clutch were smooth and effortless. It felt a bigger car than it was, with generous seats and plenty of leg and elbow room.

The Ghia is the top model and features include power windows, ceotral locking and a remote tailgate release. But I think it is a pity Ford decided against a sliding glass sunroof; the runners, it explained, would reduce headroom.

As it is, the pop-out roof has to be stowed in the boot if you want to open up the car. You theo get a most unpleasant aerodynamic flutter at about 40 mph (64 kmh) unless one of the side windows is lowered slightly.

It seemed a small fault, though. The Fiesta is otherwise so good that I can eveo see it attracting buyers who might have gone up one class to cars like the Escort.

I also tried an XR2i. About one in five buyers of the present model Fiesta goes for the sporty XR2. Ford sees the new one, which has fuel injection, as a cootender in the cult-car class, a rival for cars like the Peugeot 205 GTi.

Although it was a German-specification XR2i with a catalytic converter, running on lead-free fuel, there was no lack of vigour. With 110 horsepower on tap compared with its predecessor's 95 bhp. it accelerated vividly through the gears, pulled flexibly at moderate revolntions and scuttled rapidly round bends.

As it has fatter tyres, wider wheels and stiffer suspension, you ootice humpy roads more in an XR2i than in one of the lower performing Fiestas. Even so, it rides better than some sporty small hatchbacks.

Prices have oot yet been announced hut the new Fiestas will clearly cost more (perhaps up to 10 per cent more) than the present ones. They go on sale in mid-April, with engines ranging from a 45 horsepower one-litre in tha Popular – which has a four-speed gearbox as standard – to the XR2i's fuel-injected 1.6-litre.

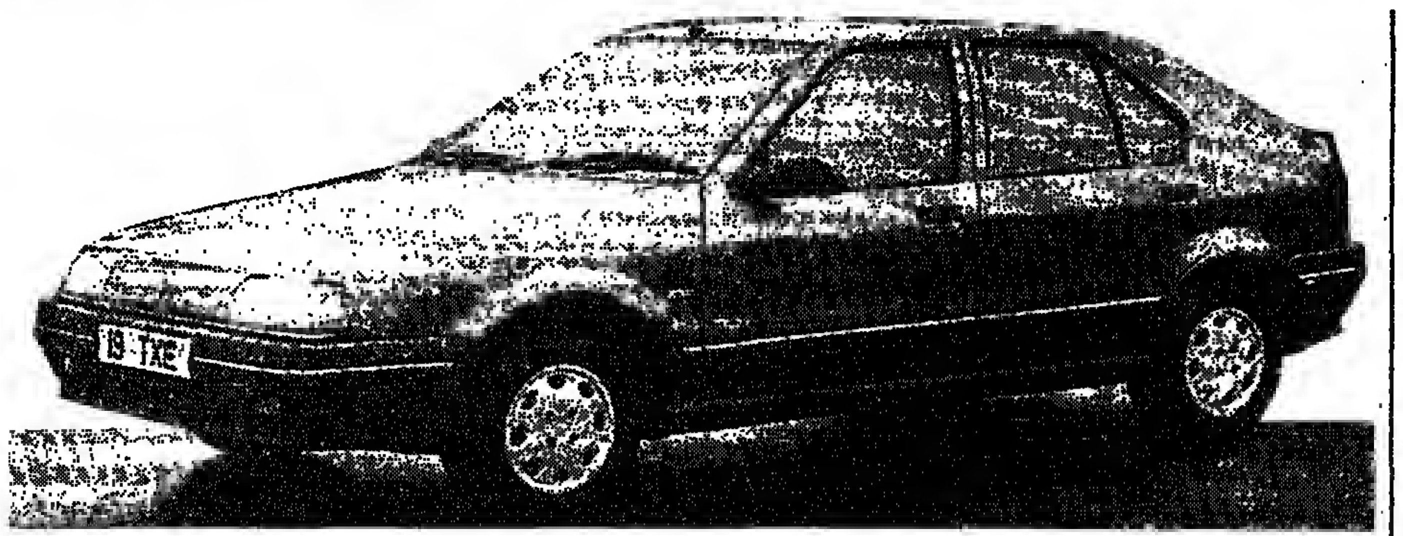
There will be a 1.8-litre diesel version and Ford's CVT (continnously variable transaxle) automatic transmission will be available with various capacity petrol engines.

Ford has been very clever (or fortunate) in introducing the new Fiesta at a time when most of its competitors are showing their age. The obvious ones are the Citroen AX, Fiat Uno, Nissan Micra, Peugeot 205, Renault 5, Austin-Rover Metro, Vauxhall Nova and VW Polo.

The Citroen AX is the youngest – it came to Britain less than two years ago. All the others have been around for very much longer: the Metro for eight years, the Uno, Micra, Peugeot 205 and Renault 5 for between four and five years.

A face-lifted Uno is due to be shown at Geneva in two weeks time and it would not be surprising if the spectacularly successful Peugeot 205 (the car Ford clearly set out to beat with the Fiesta) had similar cosmetic treatment soon.

But Ford can relax for the time being. Its new Fiesta will lead the field as the supermini with interior space and ride comfort standards close to those of cars one class higher.



RENAULT'S Escort-sized 19 went into British showrooms yesterday at aggressively keen prices, ranging from £6,520 for the TR three-door to £9,520 for the TXE (pictured). The 19, which has been selling well in left-hand drive markets since last autumn, promises to boost Renault's market share in Britain as it takes over from the dull 9 saloon and 11 hatchback, which is not much more attractive. The 19 comes between the Fiat Uno and Tipo in size. Some of the eight versions of the 19 undercut the mid to upper range of Uno models and the "starter" 19, the TR three-door, is more than £1,000 cheaper than the least expensive (although five-door) Tipo. Prices of the new Fiesta (this page) have not been announced, but the 19 is likely to be as competitive with Ford's new supermini as it is with family hatchbacks in the next size class.

There are two body styles, three-door and five-door; three trim levels; and four engine options: a pair of 1.4-litre units of 60 and 80 horsepower and a 92-horsepower, 1.7-litre, all suitable for unleaded petrol. The diesel is a 1.9-litre developing 65 horsepower. A high-performing 16-valve, fuel-injected petrol engine will be added soon. Power steering and anti-lock brakes will be available on certain models.

A diesel shock at the pumps

THE TERM "green petrol" (meaning unleaded) has entered the motoring vocabulary. So it came as a shock to a reader when her husband borrowed her Golf GTi, used a green-painted pump at a Texaco station in Roehampton Lane, south-west London, and was told by the cashier he had just filled it up with diesel.

Luckily, he had not started the engine, but he still had to have the car taken home by AA Relay and the tank drained at his own expense.

Not long afterwards, my correspondent – who admits to having been "mildly patronising about my husband's mistake" – went to another Texaco station in Thanet, Kent. She almost did the same thing there.

"I think it is incredible that Texaco paints its diesel pumps green, which is certainly the colour we associate with unleaded petrol," she wrote.

Having referred in a recent column to "looking for a filling station with a green pump" – meaning unleaded – I thought so, *too*. So why, I asked Texaco, did it have green diesel pumps at its filling stations?

Because, said Texaco, they had been painted that colour when its last pump livery scheme was introduced more than two years ago. At that time, unleaded petrol was not available generally in Britain. Hardly any drivers (other than the odd tourist with an exhaust catalyser-equipped car) wanted it and the term "green petrol" had not even been thought of.

Texaco admitted there had been a few similar instances of drivers filling up mistakenly with diesel but said its pumps were now being changed to a new livery. Diesel would come from black pumps, unleaded from red ones with a prominent green band, and leaded premium from red pumps with white lettering. Unleaded pumps would also have distinctive green nozzles. All sites should have pumps in the new colours by the end of the year.

My correspondent said she had always associated diesel with black pumps and unleaded with green ones, so wasn't Texaco's policy extraordinary?

Not at all, Texaco maintained. Some of its competitors used colours other than black for diesel pumps and, in any case, there was no such thing as an industry standard colour scheme for pumps.

Shouldn't there be? I think so. And so would anyone who has put in diesel when they meant to fill up with unleaded. Or even, I suppose, with unleaded when they meant to tank up with diesel.

Too big to drive

CAN ANYONE help a reader find a suitable car for his 7 ft-tall (213.5 cm) son who wants to start learning to drive?

Leonard Kemp of Richmond, Surrey, is no midget himself at 6 ft 5 ins (195.5 cm) but manages in a Vauxhall Astra with tilt-adjustable steering. However, it won't fit his son. His thighs hug the steering wheel.

My suggestion was to try a smaller-diameter sports steering wheel in the Astra – they are available widely from motoring accessory shops.

I am 6 ft 2 in (188 cm) and find that tall, thin cars with upright seating positions – like the Fiat Uno, Honda Civic Shuttle and Nissan Prairie – are more accommodating to the long-legged than lower-built cars. But 7 ft? I do not know.

I will be happy to pass on to the Kemps any advice from readers who have met and solved a similar problem.

S. M.

BOOKS

The return of Mammy's boy

***Anthony Curtis** on an exhaustive study of singer and vaudevillian Al Jolson*

IOLSON: THE LEGEND COMES TO LIFE
by Herbert G. Goldman
Oxford £14.95, 411 pages

IN HIS lifetime Al Jolson was always staging comebacks. The greatest was in October 1946, when the film *The Jolson Story* opened at Radio City Music Hall. Jolson had just turned 60 and the year before had married his fourth wife, Erle Galbraith, a girl of 20 from an old-established American family in Kentucky.

Previously he had staged a comeback during World War Two, undertaking a punishing schedule of one-night stands entertaining the troops overseas. They loved him and he loved them; but he was part of the glorious past of American popular entertainment, no longer the magnetic crowd-puller he had once been. His voice held up into the 1940s to the extent he could still get away with his most famous songs — Mammy, Swanee, California Here I Come, By the Light of the Silvery Moon — but in the movie his now modified baritone was dubbed against the lip-movements of Larry Parks, whose youthful vigour gave an impression of Jolson as he had been in his days of glory.

Jolson's death from a massive coronary in 1950, after a bout of troop-entertaining in Korea and radio-recording in San Francisco, has not stopped him from trying to stage comebacks from, as it were, beyond the grave. In 1953 there was a re-make of his most famous film, *The Jazz Singer* — the first "talkie," a world-wide sensation when it was released in 1927. In 1980 there was another re-make, with Neil Diamond as the Jewish cantor's son, the tuneful rebel who breaks with family and faith to carve out a career in show-business, and Laurence Olivier, no less, as the stern orthodox patriarch.

That story-line was the basic plot of Al Jolson's life, every bit as sentimental and riveting as those movies, but it has been so encrusted in legend and anecdotal distortion that it is good to have a dedicated Jolson-addict such as Herbert G. Goldman setting the record straight in a meticulous and thoroughly researched biography. The years of work involved in producing the book included a long safari through the files of *Variety* and *Billboard*, and interviews with most of the survivors who knew "Jolie," as they called him. These living witnesses did not, however, include Erle, the widow (who afterwards married the playwright Norman Krasna) or Ruby Keeler, wife No 3.

It seems unlikely that *Jolson: The Legend Comes to Life*, good though it is of its kind, will prompt yet another comeback, for reasons which the author is the first to acknowledge. Jolson required a live audience to elicit his ability to give himself body and soul in a performance. He needed the tangible evidence of the audience's love. In his heyday he would parade himself along the runway into the auditorium at the Winter Garden Theatre in New York in an effort to immerse himself physically in the ambience of his audience.

The crude, probably accurate, thesis of the biography is that Jolson's craving for universal love, in the form of shared laughter and applause, stemmed from a deprivation of love in early childhood through the death of his mother when he was eight years old and his dislike of his step-mother.

At any rate, the wonderful, mesmerising, mega-star relationship which he undoubtedly had with his audiences has completely disappeared from the surviving archive material, making him seem merely raucous and ham.

The other main reason is the historical one — that his greatest performances are now part of the theatrical convention of "blackface," unacceptable now but frequently seen in the theatre in 1904 when Al and Harry (his older brother) Jolson got their first opportunity to make a name on the vaudeville stage in New York.

In this they teamed up with a disabled performer for whom a sketch had been written confining him to a wheelchair. Harry's role was that of the doctor, Al's that of the medical orderly. Al, already confident as a singer, had never attempted a comic part. He appeared awkward and self-conscious until another member of the company suggested he play in blackface. This released all his genius for impromptu comedy, and he never appeared on stage thereafter without blacking-up.

It seems an oddly tasteless convention to us, whereby the son of Jewish Lithuanian immigrants to America should convert his face into a mask, through the application of burnt cork, in a grotesque parody of a black man. But it was not uncommon then: it derived from the tradition of the Minstrels, whose popularity in 19th century America in both North and South was universal. It declined only after the civil war, gradually being replaced by vaudeville, whose form and content (songs, cross-talk, virtuoso turns, topical satire, chorus numbers, dance routines, sketches) were a legacy of the Minstrels' shows.

Moreover, the tradition was kept alive by individual performers and troupes. In Britain there were artists such as Eugene Stratton and G.H. Elliott, and too BBC television's Black and White Minstrel Show, which lingered on until 1978. In America there were many performers who continued to appear as blacked-up minstrels on the variety stage. One of these in the popular touring American variety theatre of the period before World War One, Lew Dockstader, ran his own company, Dockstader's Minstrels. He signed up Al Jolson (as he had become) in 1910 and gave him the chance to develop his ad-libbing, audience-wooing skills and torrential delivery of corny, phony plantation song material that became Jolson's trademark as a solo artist of fabulous power between the wars.

The private man seems every bit as dislikeable as the public star was captivating. All four wives suffered dreadfully under his capricious, volatile temper. Many of his most eminent fellow-artists loathed him. The many acts of meanness, treachery, boorishness and self-seeking dirty trickery recorded here heavily outweigh the few isolated acts of kindness to old friends.

His power of giving was held back until the very moment of performance, and then he gave in a way few artists have done before or since. Gilbert Seldes, a thoughtful observer of mass entertainment, wrote of Jolson in his essay, "The daemonic in the American theatre": "His generosity is extravagant: he flings into a comic song or three-minute impersonation so much of the *totality* of one human being you feel it would suffice for a hundred others." The book includes comprehensive listings of all Jolson's appearances on stage, radio, film and disc. Whatever his failings, he was no stranger to hard work.

Hard lessons in life

***David Thomas** reviews the battles and beliefs of a distinguished liberal educationalist*

THE ROAD TO WINCHESTER
by John Thorn
Weidenfeld & Nicolson £14.95, 195 pages

A RADICAL is the last person one would expect to find occupying a senior position in a great English public school. John Thorn's autobiography tells the story of that unlikely character.

Thorn spent almost all his career in the close confines of Britain's independent schools, first as a pupil of St Paul's, then, after Cambridge, as a teacher at Clifton, and spells as headmaster of Repton and of Winchester. This narrow experience has left its mark.

He has, for instance, a well-developed nose for the minute distinctions of English social life. One of his first lessons as a West London toddler in the mid-1920s was that Chiswick children should not play with Acton children. By the time he joined Repton in 1961, he could absorb the information that most of his new charges were Beta-query-plus boys without batting an eyelid.

Yet Thorn's well-written story is by no means a gung-ho defence of an educational system built on such fine distinctions. On the contrary, he paints himself as an agent of change from within.

His target was the ethos of muscular Christianity dominant in many public schools. His main weapon against public school philistinism was a determination to bring art, drama, music and the study of literature in from the peripheries of school life.

In this, he was probably pushing at an open door: public schools were under many pressures to abandon their absurdly narrow curricula, reflected in the attitude that the most useful thing to do with an English poem was to translate it into Latin or Greek. The belief, still prevalent in Winchester in the late 1960s, that a few desultory periods of "non-specialist science" were sufficient for most boys could not have hoped to survive.

More boldly still, Thorn, an Anglican with High Church leanings, considered most public school religion "a harmful sham"; believed that team sports should be toppled from their exalted place in the public school firmament; and was irritated by the the plethora of petty rules, which outlawed bicycles at Repton but made them compulsory at Winchester.

These instincts got Thorn into trouble with the Beta-query-plus teachers and governors at a school like Repton. Yet, reading between the lines, his greatest disappointment was to arrive at Winchester just as his brand of rational liberalism was being overtaken by the more extreme liberal fads of the late 1960s. Thorn's energies were diverted to filling the discipline gap as the drugs culture infiltrated one of Britain's intellectual powerhouses.

Thorn has a nice line in ironical self-deprecation, seen in his tale of how little he needed to know to win a First in History at Cambridge. However, the ultimate impression left by his book is rather sad. Looking back, he questions the wisdom of many of his doubts about the previous order. He considers the new educational obsessions with business studies, links with industry and so on, to have delivered a curriculum without a soul.

An occasional Labour voter, Thorn is tough-minded enough to recognise that public schools perpetuate social divisions. Yet in the end he defends them because they offer high standards, a refuge from the sea of mediocrity in the state system, partly the result of the progressive educational methods with which he once sympathised. For Thorn is that unfashionable type of liberal: one who believes in excellence.

John Thorn: a believer in academic excellence

Crying for a country

A FAR CRY
by Mary Benson
Viking £14.95, 254 pages

THE DIAMONDS AND THE NECKLACE
by Richard West
Hodder & Stoughton £14.95, 219 pages

MARY BENSON is a charming South African lady of a certain age who lives in London and writes rather good books, never dispassionate, about her homeland; she is in exile. This, her autobiography, is fascinating, moving and innocent of ideology.

She was brought up a typically naive South African girl in Pretoria. She had a good war and came to England as David Lean's secretary. Then she read *Cry the Beloved Country*, which changed her life.

She volunteers, without making too much of it, that she must have had a Brünnhilde complex: she had been spellbound by her father and so in her adult life she has needed not men but heroes. She actually travelled to Hollywood as a young woman in search of them; later she tracked them down, and served them, in real life.

Here we have, first, Alan Paton himself; then, and most important, Michael Scott, the turbulent priest who fought for South-West Africa and so many other brave and usually lost causes and whom Mary Benson worked with, and was in love with, for seven years.

Then there was Tshekedi Khama, the Bangwato Regent of Bechuanaland, whose biography she was to write, and Chief Hosea Kutako, the Herero leader, and then her greatest hero, Bram Fischer, the Communist Afrikaner lawyer, on the run for 290 days and meeting her for picnics under the noses of the security police. And Luthuli and Mandela and Sisulu — they are all men, of course, though Ruth First gets a mention — and the playwright Athol Fugard, her "brother," who says to her at one point, "It's to do with complexity, the awesome nature of being a true lover of South Africa."

It is a sad book, as books about the beloved country have to be when they are written from exile. Under house arrest, she agreed to leave in 1966. Paton once wrote to her, "If you want to fight race prejudice in South Africa you can do it most powerfully and more comfortably outside the country." Was he right?

By contrast *The Diamonds and the Necklace* is the sort of book that gives foreign correspondents a bad name. It is a ramble around the Republic, opinionated, lazy, and several years out of date. Dick West seems mainly concerned now for the Cape Coloureds — in the 1960s, he says, he knew only the Transvaal, "where the apartheid system struck me as weird and offensive rather than cruel" (a curious distinction). His explanation is that "blacks who had never possessed the vote, or perhaps aspired to it, were not surprised to be disenfranchised by law."

I suppose that might do in the *Spectator* in provocative mood. Apparently the blacks care more about influx control — which anyhow exists in "all" African countries where "most" enforce it more brutally than South Africa does. "If the National Party was judged by its treatment of Africans, I think South Africa would not now be a pariah nation. It earned and deserved the hostility of the world for its callous and shameful treatment of the Cape Coloureds."

In tune with this sort of nonsense we are told that the imprisoned Nelson Mandela "enjoys the world-wide praise and attention which are to a politician as sweet as freedom or even as power." Even the *Spectator* might spike that.

J.D.F. Jones

Vaclav Havel: Czech playwright and prisoner

Self-portrait of an uncaged spirit

LETTERS TO OLGA: JUNE, 1979 TO SEPTEMBER 1982
by Vaclev Havel, translated by Paul Wilson
Faber & Faber £27.50, 391 pages

VACLAV HAVEL is perhaps the best-known living Czech on two counts: as a playwright with a subtlety all his own and as a founder member of Charter 77, the group founded in defence of human rights in his country. In 1979 Havel was arrested and sentenced to four and a half years in prison for "subversion," and he has just been sentenced to a further spell of nine months. During every week of his earlier sentence he wrote to his wife Olga, and these letters make an unusual and gripping document of our times.

Prison, to Havel, is "a terrible bore." His letters had to pass the censors, and so they are devoid of complaints, hardly referring to the surroundings, to his fellow inmates or to the work as a welder. A range of ailments plagued him, he had to have an operation and finally he was hurriedly released for fear that he might die. Cigarettes and tea were daily comforts but the high point of prison routine, its whole purpose, became the drafting of the weekly letter. He knew that each one would be circulated among friends and provide evidence that he remained a free spirit, a man not to be broken.

A self-portrait emerges. The son of someone with money, Haval knew that he would always be persecuted in Czechoslovakia. Other boys had laughed at him because he was fat. He likes to draw up lists, to have everything tidy, and calls himself an "inveterate bureaucrat." As for art, he came to it "like playing with fire," but here is the epitome of the fussy, non-bohemian personality so often observed in the great artist. Like prison itself, chaos and caprice, he writes, are "boring."

Evidently it was a strain to keep hold of himself and to ensure that he was never surprised by some sudden quirk or weakness of character. So he classified 15 moods in himself, more than half melancholic, and discusses them at length. Then he expands to the central question of how a man should live in this world; these letters, he says, are "looking for the right way."

To Havel, materialistic definitions of man and society are inadequate. There is one he sometimes calls "the order of the spirit," sometimes "the order of Being." To take his place within this rightful order, a man has to accept responsibility for his actions. Doing so, he acquires identity. Not to be responsible, not to form one's own identity, is to belong to "the order of death." Every play is a revelation of identity and that is what attracts Havel to the theatre.

A metaphor which runs through these meditations concerns the horizon. Everyone knows about horizons and makes up his or her mind where the difference lies between the known and the unknown. Havel does not like formal religion but the metaphor of the horizon takes him close to a spiritual sense, if not actually to God.

It is extraordinary to have found in prison such an opportunity to take stock. It is not only brave in itself, for here is also a rejection of totalitarianism and a defence of humane beliefs. It is also a tribute to the long-suffering Olga that he allows intellect to rule over emotion in addressing her.

David Pryce-Jones

Roth: reality as fiction

THE FACTS: A NOVELIST'S AUTOBIOGRAPHY
by Philip Roth
Jonathan Cape £11.95, 195 pages

PHILIP ROTH began his autobiography after a physical and mental breakdown which destroyed his confidence as a writer and blurred the lines between his fiction and his real life. "Exhausted with masks, disguises, distortions and lies," he returned to his past, to the source of his fiction, to "tank up on the magic blood," to be reborn.

This is not the life we expect from the creator of those flamboyant neurotics, Zuckerman and Portnoy. Roth grew up in a placid, lower middle-class Jewish neighbourhood in Newark where he played softball with his friends, teased his Hebrew teacher, and only occasionally had to battle with anti-semitism. He was his mother's "papoose," his father's restless, questing young man. Roth broke free of the parents who loved him too well by going to college and beginning a succession of affairs with the "forbidden" gentile women. His rebellion led him to Josie, the rootless, abused daughter of a small-town drunk.

To his ancestors in Galicia she was "the legendary old country shiksa-witch, whose bestial inheritance had doomed her to become a destroyer of every gentle human virtue esteemed by the defenceless Jew." Her ability to lie and manipulate, to entangle him in her paranoid fictions, inspired him to write even as it ruined his life.

With her story his facade of restraint begins to crumble, for Roth cannot let Josie be. Even 20 years on he is still complaining about alimony and trying to justify his joyous reaction to her death in a car crash. His bitter memory of Josie is the most obvious clue Roth has left in the autobiography, clues which will lead us to doubt the contentment of his early life, his embrace of the American dream, his easy acceptance of his Jewishness.

Although he shows how he became a writer, he does not tell us why. There is the gift for mimicry, the desire to transform the world rather than accept it, but these qualities could have also produced the lawyer for the underdog which he originally set out to become. Roth's refusal to embellish, his paring down of the events of his life, may be the ultimate fiction.

This is Zuckerman's criticism and Roth gives him the last word. His existence as Roth's character, alter ego, counterlife, is threatened by this pulling aside of the veils which clothe him. "Don't publish, you are far better off writing about me than 'accurately' reporting your own life. . I am your permission, your indiscretion, the key to disclosure."

Though drained of his usual fictional energy and device, this is a thoughtful autobiography which puts all the actors, the settings, the obsessions of his life into perspective. But what makes the book moving rather than just clever, more elegiac than ironic, is Roth's anguish over the loss of his mother and the imminent death of his father. By reclaiming the stubborn, resilient father he once rejected, Roth recovers his past and his potency as a writer.

Wendy Brandmark

Fiction

A parable in disguise

THE MARQUIS OF BOLIBAR
by Leo Perutz translated by John Brownjohn
Collin Harvill £10.95, 210 pages

FLUTE
by Shona Ramaya
Michael Joseph £11.95, 285 pages

AN ELIGIBLE MAN
by Rosemary Friedman
Piatkus £10.95, 192 pages

THE SUGAR MOTHER
by Elizabeth Jolley
Viking £11.95, 210 pages

LEO PERUTZ is a forgotten figure now, but his novels were translated into 21 languages between the wars and enjoyed the ultimate accolade of being banned in Germany as soon as the Nazis came to power. Like Kafka, Perutz was a Czechoslovak Jew who wrote in German (the two of them even worked in the same insurance company for a while). Unlike Kafka though, his books enjoyed great popularity in his lifetime but little since, something Collins Harvill are attempting to put right now with the reissue of *The Marquis of Bolibar* in a new translation by John Brownjohn.

It is a historical novel, set in Spain during the Napoleonic Wars, but it might also be seen as a parable of the First World War, in which the author was badly wounded on the losing side. It follows the fortunes of a Nassau regiment in the French service, attempting to nail down a group of guerrillas funded by the British and aided by the eponymous hero. The Marquis is a shadowy figure, killed early on, but not before he has laid the groundwork for a plot that owes almost as much to the supernatural as to Brigadier Gerard or C.S. Forester.

The Marquis has the peculiar ability to change disguises, and also his physical features, at will. Even after his death, his power is such that the story's narrator begins to assume the Marquis'e personality. Nor is he the only strange character in the book, for there is also the mysterious Captain de Selignac, who is always in the thick of the fighting, and yet always emerges unscathed, while everyone around him is killed.

This, it transpires, is because Selignac is the Wandering Jew, doomed to wander for all eternity, bringing death and destruction wherever he goes. He is also a literary device, for Perutz seems to be saying something here about the decline and fall of the Austrian empire — an internal death wish, rather than a vanquishing by external forces. It is an interesting notion, although one Perutz might have preferred to play down in the light of subsequent events.

The novel as a whole is one of ideas, rather than action. It is weird in parts, and the dialogue in translation is a touch florid, but it can hold its own with Joseph Roth and Arnold Zweig and the other Central Europeans of the period, though not perhaps with Kafka himself.

Shona Ramaya: an elegant literary début

Shona Ramaya's *Flute* is an elegant first novel set in British India in the early years of this century. The Countess of Ravinspur arrives in Delhi on a prolonged visit, accompanied by her son and followed by her somewhat *louche* stepson Julian, the sixth Earl. He is a Bosie-like figure, who has seen fit to spend his life abroad after the Fitzroy Street scandal and the fall of Oscar Wilde.

Across the still night air comes the sound of a bamboo flute. It is played by Nikhil, the fruit-seller, after the manner of Krishna, god of the magic flute. Nikhil and Julian get together, a companionship of the spirit as much as the body. The Countess's own son meanwhile finds consolation in a brothel with a naach- (dancing-) girl, the mistress of a prince. It sounds steamy but is very nicely done, a quiet, thoughtful look at a long vanished world, and a début that promises more to come.

An Eligible Man, by Rosemary Friedman, is thoughtful too, though far from a début. The eligible man in question is Christopher Osgood, a slightly stuffy circuit judge who finds himself widowed in late middle age and quite unable to cope. He has never been to a supermarket before, doesn't know his sock size, has no idea how to use the washing-machine. He is in short "a man of learning and property, not bad-looking and patently in need of care."

Into his life step three determined women: a dumpy novelist, a judge's widow, and blonde Lucille with a gold braceleted ankle. All comfort him in their various ways. The story is straightforward enough, if not wildly exciting. It is skilfully told though, and a television version will appear on London Weekend next year.

The Sugar Mother, by Elizabeth Jolley, is a strange tale of adultery by default, set in the suburbs of a university town. Edwin Page's wife Cecilia breezes off to Canada for a year on a fellowship, leaving him alone in the house. He is rapidly taken over by the mother and daughter next door, who move in with him and dominate his life. The mother offers her daughter to Edwin as a sugar (or surrogate) mother for the child he and Cecilia can't have. Edwin duly cooperates, with satisfactory results. It's a quirky story, a little far-fetched, but rattles along smoothly enough, and with plenty of wry humour along the way.

Nicholas Best

Crime

DEATH MASK
by Jane Dentinger
Gollancz £10.95, 290 pages

THE VULGAR BOATMAN
by William G. Tapply
Collins £9.95, 226 pages

JOCELYN O'Roarke, the actress (and now director) protagonist of Jane Dentinger'e previous two books, returns in *Death Mask* in fine fettle and in deep trouble. Engaged to produce a revival of *Major Barbara*, she has to struggle not only with backstage problems — egos, cabals, gossip — but also with some shadowy, sinister developers who want to tear down the theatre.

The murderous activity puts Bernard Shaw in the background (though the author says some canny things about the work). Unfortunately, O'Roarke's ex-lover, policeman Phillip Gerrard, plays a minor role and seems to be written out of the actress's life. Too bad, for her and for us.

For a Boston lawyer, Brady Coyne gets mixed up in some un conventional goings-on. In *The Vulgar Boatman*, he becomes involved in a student's murder and nearly is murdered himself. He also looks into teen-age drugs, computer wickedness, and Massachusetts politics, in just the right doses.

William Weaver

Dame Judi in demand

*As the star of 'Behaving Badly' prepares to play Gertrude to Daniel Day-Lewis's Hamlet, Judi Dench talks to **Michael Coveney***

THERE WAS a moment in Channel 4's new drama serial last Monday when words were superfluous. Judi Dench was doing nothing, but saying everything. Pain and anxiety were superabundant. As the alienated divorcée, Bridget Mayor, in Catherine Heath's *Behaving Badly*, she looked out of a car and saw a squawking bag lady. Her life looked back. She could come to this.

It was a classic Dench moment in a performance that is already taking shape as a masterpiece of stubborn emotional resistance and rediscovery. This Monday, in the second of four 60-minute episodes, Dench will explain to her ex-husband, with marbled stillness by a banister, that she has moved back into his home "so there's someone to hear me when I scream." It is like watching a Munch painting come to life, or Cleopatra take leave of Anthony.

The ordinary side of Judi Dench is inseparable from the extraordinary. Next month she opens as Gertrude, the mother of Daniel Day-Lewis's Hamlet, at the National Theatre. Even with heightened language, she will remain the wronged maternal figure holding on to carnal longings and a vision of the better, or at least slightly improved, life.

Dench does not reduce rôles to common imperatives, but she does approach them with an equal gravitas. In so far as she, a notorious giggler, deals in gravitas at all. Over lunch in one of her favourite Hampstead restaurants, I ask whether she tackled Bridget in any way different from Shakespeare's Juliet, or Beatrice, or Lady Macbeth, or Cleopatra.

"Absolutely not. I try all the time to find the truth in the role and to relate it to my ability to convey that truth." All those Shakespearian rôles have rarely been played by one actress with equal success. Yet Judi Dench has excelled in all of them.

She shot to prominence in 1960 as Zeffirelli's Juliet at the Old Vic. The newly founded Royal Shakespeare Company got along without her for nearly a decade as she played big parts in rep and created a West End sensation as a husky-voiced, plangently sexy Sally Bowles in *Cabaret*. With the RSC, her Beatrice opposite Donald Sinden and Lady M with Ian McKellen mark high points in recent stage history. Her Cleopatra at the National Theatre, directed by Peter Hall, was the biggest surprise of all.

"I always like to do something different. Not in my wildest dreams did I correspond to what people thought of as Cleopatra – slim, glamorous, sexy. Then I heard the line 'I saw her once hop forty paces through the public street' and I thought, that's not someone you grovel to in the palace."

Dench, Dame Judi, can play queens, but people come first. In 1982, her Lady Bracknell at the National challenged comparison with Edith Evans, who failed as Cleopatra and rejected Lady M on moral grounds.

"I was intrigued by all the references to her leaving her husband upstairs in a room no doubt with some terrible supper on a tray while she goes tearing round to Algy's house, or out to a party. And she was obviously forgetful. She asks Gwendolen to follow her. Well, Gwendolen then stays and plays a whole scene with John Worthing, so she's obviously gone off and bought a hat round the corner. So what I hung on to and built upon was this dual element of forgetfulness and flirtatiousness."

What is striking in that statement is its tenacious obsession with emotional truth. Lesser actresses would start quibbling over matters of style or intonation. Dench, the heiress apparent of Edith Evans, Sarah Siddons and Ellen Terry, talks kitchen sink and bathroom tap. She has brought tragedy into the world of fitted cupboards. She deals in transcendent ordinariness.

But she also sticks up for old values. She did this as a guest director in Kenneth Branagh's Shakespeare season, when she directed *Much Ado* at the Phoenix last year. "I gave a huge party in the country to which everyone came. I thought we may as well all start with a hangover." Her own RSC Beatrice in 1976 had been part of a stunning Indian post-Colonial interpretation by John Barton, hanging on to what was left of the future.

Was new acting undermining rhetorical traditions? "Yes. You have to know where you are. If I have anything to offer as a director, it is to pass on that great tradition that stems from George Rylands at Cambridge who taught Peter Hall, Trevor Nunn and John Barton. Rylands, in turn, had worked with Gielgud, Edith Evans and William Poel."

Richard Eyre, Daniel Day-Lewis and Judi Dench in rehearsal for *Hamlet* (first night, March 14)

Was not this all a bit old-fashioned? "Not at all. You have to have the breath, however you speak. In Shakespeare, you have to know about the caesura. The trick is, to recognise the metre, make absolute sense, never run out of breath, and sound as though you are just making it up."

Talking of continuity of standards, I wonder if Dame Judi is optimistic about the RSC and the NT. She, Dame Peggy Ashcroft and Ian McKellen all feel betrayed by Trevor Nunn's defection to the transatlantic musical after 20 years hard slog. "The whole thing comes from the top. I can't comment on Terry Hands, and I don't know about the RSC directors like Ron Daniels and Barry Kyle who have been there for years and years. I do not run to start rehearsing with them as I do, or did, with Trevor."

But did not this musical stuff spring from the RSC. Why did she feel so sad about Trevor? He didn't feel sad about her. "That's it. He's never going to come back. He's on a money-making wheel that, like a mouse, he cannot jump off. I think we have lost him. It makes me very sad."

A sense of community is important for all great actors, and Dench does not really belong at the moment. She bails out Richard Eyre, of whom she is inordinately fond and for whom she was a hypnotic TV Ranevskaya, at the National by playing Gertrude, helps out Channel 4, reads and considers anything that comes her way. She took on a memorable Mother Courage at the RSC in 1984 without even having read the play. She is an instinctive artist, a creator of incautious generosity.

Perhaps the greatest thing about her is that she will not be tied down. In all her acting is a welling tide of resentment, of tart and sudden strength. You need that quality as much for Cleopatra as for modern aliens. Acting may finally be to do with making adjustments to horrid circumstances.

Back in the restaurant, I spill some more food on the table cloth. "I must make a note never to cast you as a footman or a waiter. You have no social graces whatsoever."

Sorry about that. Did she consort much with critics? "No, but isn't this jolly? When I was playing Beatrice for the RSC, my husband, Michael Williams, was also in the company playing a marvellous Schweyk. We heard that Harold Hobson was distraught because his wife had had a stroke. He is, as is generally known, physically handicapped.

"I wrote offering to help with the shopping. He wrote back saying would we just go and have lunch with him. I remember driving up to the hotel with Michael and saying, we'll talk about anything this lunchtime except the theatre. And, of course, we talked about nothing but. For three solid hours. He is a marvellous man. And what wonderful notices he wrote. Barmy sometimes, but wonderful."

Hollywood's new trend

*Screenwriters are turning with startling frequency into top directors. **Nigel Andrews** reports*

TREND-SPOTTING, like train-spotting, can be an addictive habit. And a maddening one. In the film world, the temptation to discern coherent "movements" through the hiss and steam of history can lead to wildly speculative conclusions.

But one modern trend no one can dispute. Top Hollywood screenwriters are turning with startling frequency into top Hollywood directors. Reaching Britain this week and next are two prize-laden samples of their work: Lawrence Kasdan's *The Accidental Tourist*, which scooped the New York Critics award for Best Film of 1988, and Barry Levinson's *Rain Man*, which has lately garnered a Golden Globe in L.A. a Golden Bear in Berlin and eight Oscar nominations. (Both movies are up for Best Film Oscar.) These two works are the gleaming tip of what has become a solid-gold Hollywood iceberg. Other screenwriters who have lately turned into triumphant directors include Oliver *(Platoon)* Stone and Robert *(Back To The Future* and *Who Framed Roger Rabbit)* Zemeckis.

In the past, Hollywood has either treated the screenwriter as a temperamental pest or made him the servile member of a chain-gang. (In the 1930s and '40s up to 15 people often worked on one screenplay.) So what has changed the writer's luck and kudos? I met Kasdan and Levinson in Hollywood last Christmas.

"It has a lot to do with the break-up of the studio system" says Levinson, whose own career has moved from writer *(And Justice For All)* via writer-director *(Diner, Tin Men)* to director solo *(Good Morning Vietnam, Rain Man)*.

"In the old days projects would be processed inside the studios. Fox or MGM or Warners would rotate their in-house writers. It was the assembly-line principle. Today, you've got more independent writers out there and they're all trying to parlay their scripts into films."

Before Lawrence Kasdan turned director with *Body Heat* and *The Big Chill*, he scripted two goldmine movies of modern times, *The Empire Strikes Back* and *Raiders of the Lost Ark*.

"However well a film turns out," he says, "there's always a frustration that you're not doing it yourself. Another director, even a good one, has a different tone, a different

Lawrence Kasdan: director of *The Accidental Tourist*

vision. I never wanted to be just a screenwriter. To say that's your ambition is to say you want to be a co-pilot not a pilot." Creative frustration is clearly a spur. Levinson cites a film he scripted in the 1970s, *Inside Moves*, directed by Richard Donner. "A lot of the film is set in a bar, and I had pictured it as a lonely, imprisoning environment. But the first day I came on set, I saw this cheerful, convivial place and it was totally opposite to what I had planned. So what do you do? Do you say 'Tear down this set, I don't like it'? You can't, you're not the director."

Question is: why has Hollywood, to whom the screenwriter has always been just above the aardvark on the evolutionary scale, *allowed* this card-carrying nuisance to get behind a lens? "It's supply and demand," says Levinson. "We have the ideas. They need the ideas. We say you can't have the ideas unless we direct them."

"It's economics," elaborates Kasdan. "In the 1960s and '70s the studios were paying big money to established directors who just weren't all that good. At the same time there were a lot of hungry young writers pounding on the door, saying 'You like this script? Fine. Well, I'll direct it.' So the writer suddenly found he had a bargaining position."

The irony for Barry Levinson is that after years of playing the victimised good guy (the writer) he has now gone over to the other side. After two films as a "hyphenate" (writer-director) he has now made two films as a director only: and it is *his* turn to kick the writer around.

"On *Good Morning, Vietnam*, we changed about 40 per cent of the script. Nearly all of Robin Williams's dialogue was changed, because the material in the script just wasn't that good. We thought, 'Gee, this sounds like stuff we've heard before, let's throw it out.' So scenes like when he meets the convoy, these were totally re-improvised and re-written. Now you could have had one of those classic writer/director conflicts here, with me as the villain. But in the event, the writer on *Good Morning* didn't mind and even liked what happened."

But the writer's ego is a fragile thing. Pushed too far, he can cause tremors even in an earthquake-blasé city like Los Angeles. Witness last summer's five month long Writers Guild strike.

"The writers by their nature," says Levinson, "are a volatile, wild group. You have to remember that everyone is dealing with their hurts and wounds for the year, and they get a little irrational. That's what writers are about, that's why they're good: it's part of human behaviour. No one really knows – still! – what that strike was actually about. But the frustrations had all boiled up, and you suddenly had this big emotional moment when everyone cried, 'Strike, strike!'"

Clearly there is enough frustration out there in the screenwriting community to fuel more earth-to-stars career launches like Kasdan's and Levinson's. But is Hollywood a better place for the new creative mobility? Barry Levinson, whose last two films have racked up over $200 million between them, is probably today's most powerful writer-turned-director.

"We have more power, yes: but we're not using it the way we might," he says. "The fact that a lot of today's writer-directors grew up with movies – unlike the more literate screenwriters of the 1930s and '40s – means modern films are big on visual style and *hommage* but thin on content and character. There are too many remakes, too many sequels, too many films that end up like elongated TV shows."

But Lawrence Kasdan thinks this tendency originates with the studios rather than the film-makers.

"You're out there all the time fighting creeping mediocrity: the need, from the studio's viewpoint, for all movies to be expensive and market-successful. You have to use *your* fantasy – that something new can work – as a weapon against their fantasy – that it won't.

"George Lucas and I had a metaphor for this in the *Star Wars* trilogy. There's a situation where the Jedi have the ability to impose their thought processes on the weaker minds of the Imperial guards. 'We're going into the fort.' 'No.' 'Yes, we're going into the fort.' 'Yes, you're going into the fort.' If your fantasy is stronger – 'We're *going* to make this movie' – then you win. That's what working in Hollywood today is all about."

Barry Levinson: director of the award winning *Rain Man*

The book on Berlioz

Berlioz Volume One: 1803 - 1832 The Making of an Artist. By David Cairns. André Deutsch, £25. 586 pages

THIS MAGNIFICENT epic has been long in the making. David Cairns, music critic of the Sunday Times, translator of the Berlioz memoirs and foremost living writer on Berlioz, has kept his admirers waiting (more than 20 years, the author confesses in the Preface). But now he rewards their patience countless times over, for even at this halfway stage his *Berlioz* stands as one of the great biographies of our day, and also one of the great feats of literary sympathy with an artistic genius, filled with a love, knowledge, and understanding of his subject that flame up on every page.

It is, the author makes clear at the outset, a life, not a life-and-works. The Memoirs is, of course, one of the masterpieces of the genre, but it is by no means a complete or always dispassionate self-portrait. An enormous amount of significant new information has come to light since the last important Berlioz biography, by Jacques Barzun more than 40 years ago. Mr Cairns sees as his first duty to the composer to tell "the story of Berlioz's apprenticeship in greater detail than it has been told before," the examination of "how and why, in the formative but least well-documented part of his life, . . . the son of a village doctor, brought up in a musical wilderness, was turning himself into the composer of the Fantastic Symphony."

In advance one may wonder whether the author's self-limitation was perhaps an error of judgment, an opportunity missed. But it does not strike the reader that way: a sense of the music flows through the book like a great river, affecting every corner of the landscape. At each stage – the youthful first attempts at composition, the discoveries of Virgil, Gluck, Beethoven, and Shakespeare, the impact of Harriet Smithson and Camille Moke, the adventures in Italy – the relationship between formative impression or influence and music (whether immediately forged or still some way in the future) is fixed and analysed in memorably vivid *aperçus*.

On the simplest level, this book is a marvellous "read," compulsive and unputdownable: Mr Cairns's beautifully lucid prose style, the envy of all his newspaper colleagues, is touched with a vivacity of humour that his hero (who is also, of course, one of the tutelary deities of music criticism) would recognise.

He makes even the smallest asides or footnotes interesting; the research into Berlioz family lore, the scene-setting in matters of historical background and Dauphiné foreground have been rigorously undertaken, yet there is never the slightest hint of dry scholarship-for-its-own-sake. The view of Berlioz is at once panoramic and finely focused. The development and progress of the composer are charted with total command of the world of French music in which Berlioz found himself and which he determined to conquer.

Max Loppert hails David Cairns's new biography

This is a wonderfully lively biography, full of colour (the young Berlioz making friends with an Italian brigand in Subiaco, exploring Naples, roaming the Abruzzi, is one of the most exhilaratingly communicative of travellers), rich in dramatic incident (Mr Cairns's account of the famous *épisode bouffon* wherein Berlioz set off from Rome to murder Camille Moke is at once judicious and wildly comic). There is an unfailing knack of sorting out and balancing the emotional extremes of the central character, with wit as well as sympathy – the young man with the huge mane of hair and the aquiline profile whose eyes, Harriet Smithson said, "bode no good," whose determination to follow his own paths of musical originality showed at times nothing less than "suicidal recklessness."

But it is at bottom one of the saddest of books about great artists. Now that the *cas Berlioz* has been comprehensively settled, and the days are long done when people could refer with careless confidence to "Berlioz the great Romantic eccentric" or "Berlioz the brilliant orchestrator but poor musical thinker," his struggles to form and then give vent to his musical genius seem if anything more agonising than before. Mr Cairns examines in close detail the low level of musical culture in La Côte St André, and the opposition of the Berlioz parents, particularly the loving but intransigent Dr Berlioz, to their son's musical career.

But far more depressing, as here described, are the simple lack of outlet for young composers (by comparison with Paris in the 1820s, London in the 1980s is an eldorado for new music and new writers thereof) and the readiness of the Paris musical establishment to block, pigeonhole, or even dismiss as mad a voice of such revolutionary originality. Berlioz's roots in his revered Classical past may now be as clear to us as the Romantic boldness with which he treated timeworn forms and conventions, but even to so strong and distinctive a musical personality as Cherubini he too often bore the guise of a lunatic experimenter.

It is to Mr Cairns's eternal credit that, in spite of the indignation he feels (and allows us to feel) at some of the more iniquitous frustrations set in Berlioz's way, he never gives a simpleminded or one-sided view of the whole picture. Even for the most ardent and knowledgeable Berliozian, this book will prove a revelation. How impatiently one awaits its concluding volume!

Radio

Moral dilemmas on the air

ON MONDAY, Radio 4 gave a play about Nancy Cunard, not admired by her contemporaries, whatever her private motives. On Tuesday, Radio 3 gave us the 18th-century German art-critic Johann Winckelmann, complete with personal faults. As he is the more durable of the two, let us see him first.

John Spurling's *Discobolus* is about Helene, a young German painter who reckons that as a German she must embody the worst features of German history. As she also believes that "there is no subject but self-expression," her pictures horrify even her loving husband. Goethe comes from the afterworld and takes her on a trip, as Mephistopheles took Faust. They first go to Leipzig, where Winckelmann is a librarian, then to Rome to see him studying ancient Greek sculpture.

After a look at the Apollo Belvedere, we see what Helene calls "a bit of old rock," which is the torso of Hercules. On to Munich (to recall that Hitler bought the *Discobolus* as the spirit of German youth), to Dresden, back to Rome. There Helene, transformed into beautiful young Angelica Kauffmann, paints a portrait of Winckelmann. Lessons on the nature of beauty and of love are picked up all the time. Love is a hard one, for Helene, as Kauffmann, loves Winckelmann, but Winckelmann prefers his own sex. In Trieste on his way home he picks up a young man who murders him.

Goethe's moral is that we should not care so much for the Greek ideal if we were not also at home with the brothers Grimm. Helene has learnt something about beauty, and now paints in a way that her husband likes. I found the play interesting, though morally uncertain. Imelda Staunton was Helene, Norman Rodway Goethe and Struan Rodger Winckelmann. Richard Wortley directed.

That Cunard Woman, by Edgar White, follows the trail of a once-notorious lady from her unsuccessful marriage to a liaison with a black jazz-pianist, Henry Crowder, who finally leaves her to marry a black wife. Nancy (vividly played by Jane Lapotaire) met him in Venice, and took him away to Paris, where she decided to be a publisher of black writers. They move to London and meet great social antagonism. Lady Cunard, Nancy's mother, has been the lover of Sir Thomas Beecham, and Nancy arranges for her Henry to show him some of his music. I bet Sir Thomas's rejection was funnier than Edgar White makes it.

Lady Cunard cut her daughter's allowance and organised such opposition that Nancy and Henry fled to New York. "I find it best to always do the impossible wherever possible," Nancy said, no language for a would-be publisher. Even in Harlem they were constrained to move on, first to Boston, then he to the South, she back to England. She got enough damages from a libellous newspaper to publish her book *Negro*. Then off to the Spanish Civil War – and here the author's interest flags. After Spain he simply records trips to Chile, Cuba and Mexico before she comes back to England. She hit a taxi-driver who demanded his £15 fare and, after proceedings we don't hear, was certified insane.

I'm bound to say that, outside its value for acting and direction (Penny Gold), I couldn't see what point Mr White made in dragging up these sad affairs, for he neither made them funny nor improving. But moral dilemmas are the flavour of the month. LBC offers a short drama every Sunday at 11 pm and asks us to ring them with our preferred solutions.

The first asks, shall we tell our best friend if her fiance tries to have a bit with us? (A simple problem got simple answers.) But if your boss was against blacks, having been attacked by one, and then turned down a black applicant for a job whom you knew was qualified, what would you do? Or if your fatally-ill father asked you to give him an overdose? Or you were offered a job abroad that would spoil your husband's career? Or had been warned that your children might inherit a mental handicap?

Less simple problems. Good of LBC and Independent Radio Drama's Richard Shannon and Tim Crook to propose such trials to the commonly unthinking man, or rather woman.

B.A. Young

Correction

In B.A. Young's radio column last Saturday the Marketing Director of the London Philharmonic was wrongly quoted as making a remark critical of the Prudential Corporation's musical sponsorship. We should like to make it clear that no such remark was made by the Marketing Director, whose actual comments in a radio interview were supportive of the relationship between the orchestra and the Prudential Corporation. We apologise for this error.

ARTS

Drama at the V&A is good enough for fiction

***Denys Sutton** lambasts the Museum's new director over her plans to 'remedy defects in the management of the collections'*

IT IS often the case that the dramas that arise in English life could lend themselves to fiction; the one now taking place at the Victoria and Albert Museum is no exception.

It would have intrigued Dickens, Trollope and C.P. Snow, not least because two of the main figures involved, Lord Armstrong, Chairman of the Trustees, and Mrs Elizabeth Esteve-Coll, the Director of the Museum, could step out of a novel. The one is a former top Mandarin who won international fame when he was worsted in tha "Spycatcher case" in Australia; the other spent some years at sea as a skipper's wife.

Unfortunately the drama is not imaginary but real, and it is one that affects not only the lives of distinguished members *of the staff of the Museum, but* the very future of this famous institution. It is one, too, that has made this country a laughing stock internationally.

The main purpose of the changes *outlined in a January* paper prepared by the Director and "unanimously approved by the Board of Trustees" is to "remedy defects in the management of the collections."

Mrs Esteve-Coll proposes that the world famous departments of ceramics and glass, metalwork and sculpture should be temporarily merged and that the same process should occur with furniture textiles and interior design; their work will eventually be placed under two new departments, Research and the Registrar's Department.

The control of all departments (as long as they survive) apparently will be vested in the hands of managers: however, the sort of person envisaged for this post is in no way specified in the paper. It is argued in this document that the new aims can be best served when "there is a clear-cut separation of scholarship and housekeeping, i.e. one in which knowledge and expertise about the collections is divided from the physical responsibilities for managing the collections."

Then, as an afterthought, it is added that there will need "to he close consultation between those responsible for managing the collections and those with specialised knowledge of the collections." At present, of course, this is easy: those with different forms of responsibility work in the same department.

Under the proposed new system, housekeeping will come under the control of the Registrar's Department. Housekeeping is defined as "receiving, documenting, moving and conserving of objects." This means, in effect, that the preparation of a dossier on an object, its moving – often a delicate task – and decisions concerning its conservation (though obviously not the conservation itself) will be in the hands of the Registrar. But will this official be in any way qualified for such tasks? For instance, will he be able to spot an incipient outburst of bronze disease?

It is, I fear, too typical of the amateurish way in which the Director and the Trustees seek to run the Museum that the paper fails to deal with various important questions. Who will be responsible for acquisitions (it is a statutory requirement of the museum that it should continue to augment the collections)? Will the managers trot along to galleries and auction houses on their own, or will they go as "minders" to "the scholars." Who will advise the government on estate duty, in lieu questions and export control matters?

At first sight the policies outlined by the Director in her paper and, to some extent expanded by Lord Armstrong in *The Times* on February 18 may seem persuasive but in fact they result from the application of abstract principles to problems that require empirical *solutions. It might indeed* seem sensible to confine the scholar, as if he were some Chinese *literati* painter, to his study, but this notion fails to reckon with the nature of a museum *curator*, who is not an academic nor necessarily a writer; in any event, on the whole his publications are not concerned with dissemination *of* general ideas but are the result of a dialogue with a work of art. His aim is to refine and extend his connoisseurship. This concept is doubtless strange to the Director, who has never produced any original work and is not an expert on any art form.

The Director's paper suggests that she and the Trustees do not really grasp the fundamental importance of a Keeper, who knows the material intimately being in charge of a Department. A keeper is a long stop; he or she is the person, for example, who can decide whether or not an object should be lent to an exhibition and under what conditions. This is most important and now that shows play a large part in International art life.

The superficiality of the Director's paper suggests that she is not so in tonch with modern feeling as she believes. Most museums now seek the support of the private sector, and the V&A is no exception. Hitherto, the advocates for sobventions for exhibitions, purchases and redecoration have been curators: a curator can fire a sponsor with enthusiasm. The mansger, on the other hand, will hardly be able to plead with the same conviction. The former curator, now dressed in his scholar's robe, will be scribbling in his rabbit hutch, or perhaps, like some scenario writer in an old Hollywood movie, taking a quick slug to assuage his mounting boredom.

The Trustees have much to answer for. They have endorsed the callons sacking of senior staff (it is really nothing else) and they have acquiesced in the destruction not only of the system of Keepers but, by *implication*, of a grand tradition of connoisseurship. Do they understand what they have done?

In looking at the list of Trustees it is hard to believe *that they* possess the necessary knowledge about museums and works of art and the intellectual sophistication to restructure an institution such as the V&A. The public should realise that the *Director herself* has no museum training – she was formerly a librarian.

What is curious abont the affair is that the Director's paper made no reference to possible redundancies, voluntary or otherwise: the only statement that could be taken to refer to staff changes is "The implications . . . for individuals will be discussed with each member of the curatorial staff so that they can be placed successfully in the new developing structure or otherwise accommodated." The last two words ought to have tipped off an alert trustee that there was more involved in the new structure than might be realised.

A spokesman for the Museum has stated that the redundancy qnestion was never discussed by the board: "Staff matters are considered to be a subject for management decision, and therefore it is not necessary to put proposals for redundancies to the full board." Connoisseurs of office infighting and the behaviour of boards will relish this statement: our old friend "economical with the truth" rides again.

The spokesman's words (*The Independent* February 17) do not tally with those of Mr Ian Hay Davison, who is a trustee and the chairman of the senior staff appointments committee of the museum. He writes (*Daily Telegraph* February 18): "Let me make it absolntely clear that the proposed management changes were fully discussed and endorsed by the entire board of Trustees, which has subseqoently expressed its total support for the director." Who is right?

Where Mr Davidson could *have made* a *useful contribu*tion to the debate is by supplying the comparative figures for the curatorial as opposed to the administrative staff. This is vital in view of the implied *suggestion that the redundan*cies and the restructuring are necessitated by economic stringencies. Oddly enongh this rather simple computation seems beyond the powers of the Minister for the Arts, Mr Richard Luce, who in a written answer in the House of Commons to the effect that salary and other staff costs during 1988/89 are expected to total £12.1m declared: "it is not possible to divide this figure precisely between administrative and curatorial staff."

Mrs Esteve-Coll is under a delusion if she feels that opposition to her views is directed by her educational background (she was not a product of Oxbridge) and if she seriously believes that criticism has been orchestrated by "the art *world mafia*" – whatever that may be). What is at issue is neither her educational achievemeot nor her social background hut her lack of common sense, consideration *for the feelings of the staff, and* judgemeot. (See, for instance, the permission given to Sotheby's to hold a preview of the Elton John collection in the Museum and the poor *taste* of *the Saatchi and Saatchi* advertisements – Mr Maurice Saatchi is a Trustee. Such errors do not inspire confidence in a policy that can only seem short sighted and inimi*cal to the best interests of the* Museum.)

Changes of the sort now proposed should only have been introduced after considerable debate among the Trustees and after discussion with the senior Keepers: but the opposite has happened. This situatioo would hardly have arisen if the V&A had been given an entrenched constitution in which certain bodies, such as the British Academy or the Society of Antiquaries, had the right to nominate Trustees.

Those who have known the Victoria and Albert Museum over the years and have come to value the judgemeot and industry of the curatorial staff can only deplore the shabby behaviour of the Trust*ees and the haste of the* proceedings. The Trustees may feel pleased with themselves – complacency is a disease which affects not a few of the oew-style "great and good" – but *they will have to* live with the grim fact that they have done their bit to destroy civilised values.

Director Mrs. Esteve-Coll: no expert on any art form

Coffee table opera

ON MARCH 14 yet another fat glossy magazine will take its chance on the news-stands. Like many of its competitors it is selling a life style to the affluent young but this time wrapped up in the mysterious glamour of opera. As Mel Cooper, the editorial director of *Opera Now*, puts it, "we are focusing on the new opera goers who feel insecure about it all."

Opera Now is no shoestring venture. Cooper has convinced some impressive backers to lend advice and money. The chairman of his board is Sir Trevor Holdsworth, President of the CBI. The cash, £1m of it, comes from D.C.Thomson, the Dundee publishing house, more famous for Dandy than for Domingo. But Thomson is basically the banker. If the magazine takes off, Cooper and his team will buy out the Thomson investment.

The new magazine has certainly caused a flutter in the operatic dovecotes. It personifies the new forces moving into, and threatening to take over, what was once the most élite of art forms – the opera movies; the TV commercials selling cars on the hack of operatic melodies; the opera singers like Domingo and Caballé who now dnet on record with pop singers; the *vast operatic spectacles, like* the *Carmen* planned in June for Earls Court and *La traviata* for Versailles, with their audiences the size of First Division football crowds.

But Cooper is not a complete populist, more an oldfashioned opera freak whose audience is what could be called the first new generation of music lovers, the kind who lap up the imaginative productions from Welsh Opera and the ENO, who now number over one million a year and who pay over £15m into the box offices of the major subsidised opera companies. He is aiming for this potentially serious addict rather than the second layer, the passing punter who buys a ticket for Earls Court because the event is that week's talking point.

Opera Now can get by on sales of 40,000, but it is printing 60,000 of the first issue. There will be few reviews, which are the mainstay of the established title in the field *Opera* – the eight week lead times make reviews impractical. Instead, each month a new opera production will be studied in depth, from a historical, musical, a performers – and a consumers point of view.

The dummy issue, designed to sell advertising to sceptical agencies, should he a fair reflection of the real thing. *There is a profile of the tenor* Dennis O'Neill, which portrays him as something of a Page Three boy and concludes with his favourite recipe, and, in contrast, there is Doris Lessing *discussing* her co-operation with the composer Philip Glass in converting her novel *The Making of the Representative for Planet Eight* to the Coliseum stage, plus a collectors guide to Glass's works.

A welcome feature is the commitment to music theatre. There is a good spirited critique of Bernstein's *Candide* and the recording of the month covers *Show Boat*. Cooper is spreading his musical net wide, to include choral music, song recitals, oratorio. There is space devoted to armchair opera, which attracts an audience of at least another (impoverished) million, with both reviews of recordings and of equipment.

Most of the revenue will come from advertising, of course, and the claw of the money men shrieks out in the tricksy typography of the lay ont, the blazing colour, the hard sell for even the most well meaning articles, such as a report on an ENO schools workshop of *Carmen*. Cooper will not avoid coverage of what to wear to the opera, where to eat afterwards – the social setting to an artistic experience.

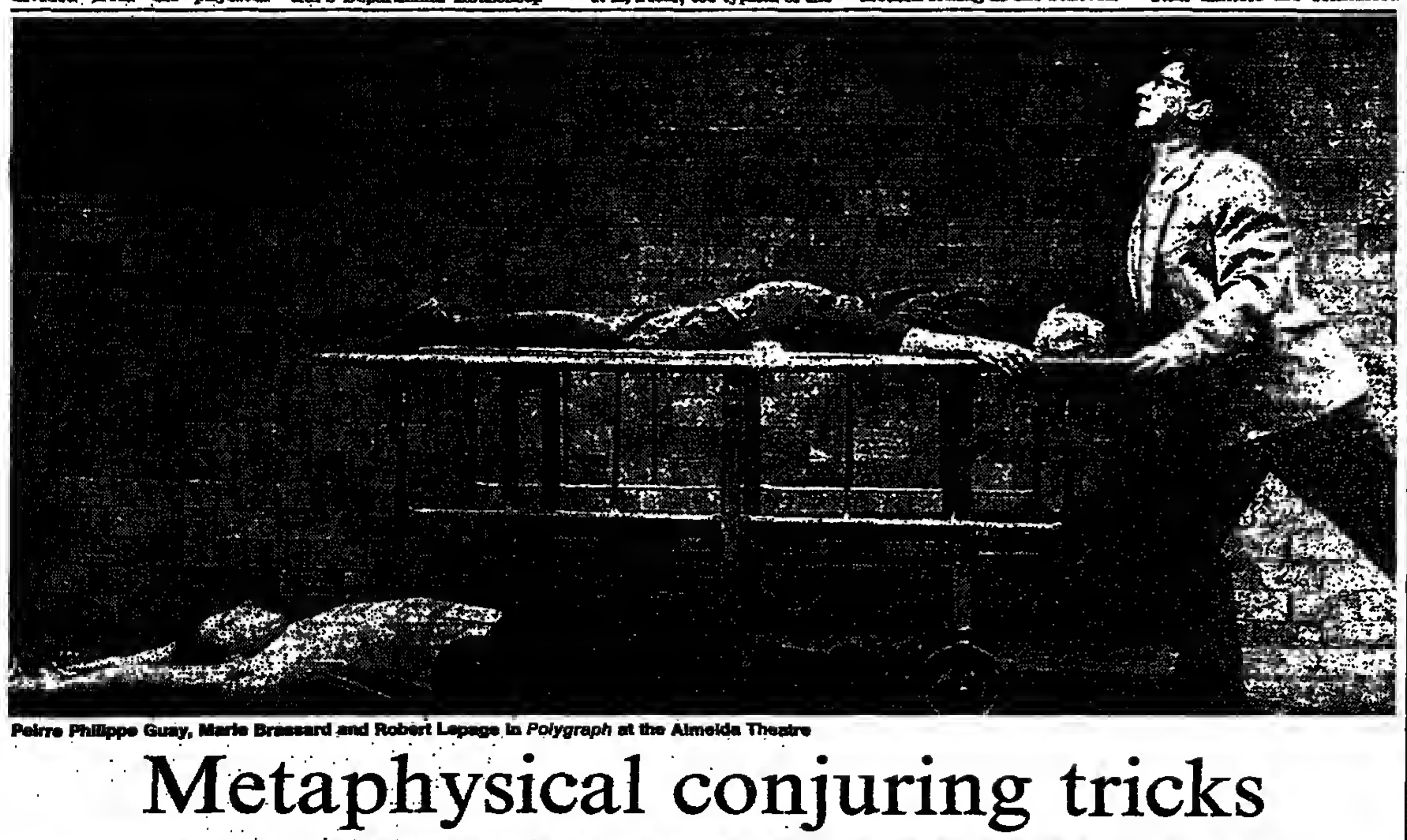
It is also obvious, *for good* or ill, probably ill, that few established critics have been asked to contrihute to *Opera Now*. The large labour force on the magazine, enjoying a lavish *£250,000 promotional launch* budget, *is*, in the main, coming to opera with as few prejudices as its readers.

If anything the new title should shore up the position of *Opera, founded almost 40 years* sgo by Lord Harewood, run by a small private company, and certain of a modest profit from its committed circulation of 14,000. Here are the true opera *buffs* who need the reviews from Minneapolis and Santiago, Belgrade and Budapest, to keep track on rising international stars.

Opera Now is the DIY guide for the new audience. It makes opera seem accessible, fun, and contemporsry. Within the bright packing there may be some worthwhile product, hut in essence it looks like being the latest useful accessory for the tentative novices.

Antony Thorncroft

The two magazines: true opera buffs will stick to the old



Peirre Philippe Guay, Marie Brassard and Robert Lepage in *Polygraph* at the Almeida Theatre

Metaphysical conjuring tricks

ROBERT LEPAGE'S extraordinary metaphysical detective yarn is extraordinarily based on the true story of a murder for which he himself was briefly a suspect. It is not essential to know this, although awareness of it does contribute yet another frisson and another colour to what is already a spine-tingling and prismatic piece.

Compared during his last London visit with Peter Brook, this outstanding French Canadian actor and director returns with a hefty reputation to live down – and at the Almeida it takes only minutes of *Polygraph* to prove that here, indeed, is a theatrical magician capable of conjuring images from thin air. He does so, literally, near the end of the piece when *for a brief*, thrilling and sinister moment a mirror reflects a non-existent form. Typically of the show, the reflection only lasts a second, leaving those in the *audience who happened* to be looking in the right place at the right tima wondering whether they were seeing a thing or things.

The proceedings are conducted in front, over – and at several points through – a red brick wall which somewhat pretentiously in the opening scene prompts a narration about the partition of Berlin. The association – as often – is a free one, linked by analogy to a projected diagram of a heart, illustration to a post *mortem* report which *is* to form the starting point for a murder story without a corpse or a killer.

A young woman, in fiction as in life, has been raped and stabbed; her murderer has not been found. In a 110-minutes-eries of vivid, captioned seqnences, the autopsy is superimposed on a six-years-on encounter between a one-time suspect, the pathologist who carried out the post mortem, and an actress who has been hired to play tha dead woman in a film of the murder.

Ingeniously the narrativa threads its way between images of death and terror, "reality" and re-creation. On one level it is a straight story of love and death tinctured by *film noir* images of figures stalked along dark sidewalks or splattered on pavements; on a second less convincing one it is a discourse on the politics of crime and/or the crime of politics; on yet another Lepage and his collaborators Pierre-Philippe Guay and the superb Marie Brassard juggle delightedly and wittily with the differing tricks and techniques of cinema and theatre.

The wall, like any house of horror, oozes blood; the three performers leap time, genra and language with a staggering energy and accomplishment – Lepage himself affecting the gawky bespectacled persona of an American pathologist, who metamorphoses when appropriate into a prying, gravity-defying gnome capable of creeping headfirst down walls in pursuit of the suspect. If one has cause at times to question the intellectual content, there is no question at all abont the theatrical strength of a show which confirms in spades Canada's right to a world rating.

Claire Armitstead

Chess No. 762:
1 N-Q6, K-Q4; 2 N-K4, K-K4; 3 N-B6, K-B4; 4 N-N4, K-N4; 5 N-R6, K-R5(R4); 6 N-B7, K-R4(R5); 7 R-R6 mate.

Concert

Première of a painter's work

A CONCERT supplementary to its official season was given by the Young Musicians Symphony Orchestra under James Blair at St John's on Thursday night. The première of a work by a Swiss composer previously unknown to me, Christiane Boesch, was followed by Beethoven's *Emperor* concerto and fourth symphony. The Banca della Svizzera Italiana took a page of the programme book to wish the Swiss work well, but its further involvement, if any, with the concert was not made clear.

Ms. Boesch, who is a painter as well as a composer (she apparently derives paintings from her compositions), called her short, three-movement orchestral piece *Silentium*: I'va no idea why. Its first movement *superimposed percussion* volleys on skeins of dense counterpoint for strings. In the second, a somewhat percussive string writing, ovarlain by fragments of wind melody, gave way to rhythms on bongos and woodblocks. The third movement offered itself as a synthesis of the earlier two, but I wasn't altogether sure what there was to be synthesised. At any rate, this was a more linear unfolding, which grew quite languorous and even pastoral. The dissonant counterpoint and acidulous harmonies used throughont the work had a generic mid-European flavour suggestive of Hindemith and perhaps the composer's compatriot Frank Martin. The performance was decent, but occasionally made the music rather *more acidu*lous, I suspect, than it should have been.

The orchestral playing in the concerto became progressively more assured, and the young soloist Ian Jones's pianism also. Not that he badn't made a considerable splash right from the start. His opening flourish was in fact wonderfully bold, and his subseqnent contributions quickly testified to his physical power, feeling for clear bright colour, and capacity for some pearly fingerwork. He easily survived a few shaky moments in his account of this hugely *taxing* first *movement*, while in the the Adagio and Rondo he rose to heights of distinction.

Paul Driver

SPORT

Bruno: 'Britain's biggest disaster since the Titanic'

Michael Thompson-Noel is in Las Vegas to witness the latest episode in the Mike Tyson story

IN THE everlasting night-time of the Las Vegas casinos, the giant walls of video screens in the sports-betting parlours will tell you that tonight's challenge by Frank Bruno for the heavyweight boxing championship of the world is measurably less substantial than a puff of desert wind. In the eyes of the Vegas bookies, Bruno is deader than Geronimo.

The odds against Bruno are put at 6-1, while the undefeated champion, "Iron Mike" Tyson – who can fool you with his lisp but is awesomely well-prepared – is rated prohibitively, at 9-1 on.

But do not be fooled. These are merely bookmakers' odds designed to generate a little side action in the green baized casinos' eternal night. They are merely indices of despair – amusingly fraudulent and in no way a true measure of the gulf between the champion, who is the heir of Marciano, and his porcelain-chinned challenger, who is universally viewed as the product of brilliant marketing and packaging, but of very little else.

If Bruno were to win tonight's scheduled 12-rounder at the Las Vegas Hilton, he would become the first British holder of the heavyweight title in almost a century. But he won't – simply because his technical limitations and his notorious lack of speed, will render him a tailor-made victim to the strength and skills of a 22-year-old champion whose career record of 35 wins in 35 fights, including 31 knock-outs, may one day eclipse Rocky Marciano's 49-0 record.

This is Tyson's fifth defence of the undisputed heavyweight championship since he beat Tony Tucker to win the International Boxing Federation crown in August 1987 to add to the World Boxing Association and World Boxing Council titles he won in March 1987 and November 1986. Of Tyson's 31 knock-outs, 17 have occurred in the first round, five in the second and two each in the third, fourth and sixth. The youngest-ever heavyweight title-holder, Tyson has already held the championship longer than anyone since George Foreman in the early and mid-1970s.

Strictly on the figures, the 27-year-old Bruno has a better knock-out ratio than the champion, with 31 KOs from 32 wins in 34 fights. But many of his victims were patsies lined up by the moneymen to make Bruno look good. That said, it has to be acknowledged that Bruno is ranked as the leading challenger both by the WBA and the WBC, and as No 3 by the IBF.

Aided by Dr David Silverman, a Las Vegas-based psychiatrist – "I'm a medical hypnotist, not a vaudeville act," said the good doctor this week, describing his daily visits to Bruno's hotel suite – Bruno continues to impress all who meet him with his dignity and poise.

But these admirable qualities have not prevented him from lecturing the champion in tones that, in retrospect, will sound positively quaint late tonight, Vegas time, when Tyson clubs him with appalling blows that will remind the challenger that his most appropriate role, despite all his millions, is that of a cramped footnote to the Mike Tyson story.

"I don't think people respect him," said Bruno this week, speaking of the champion. "I don't, to be quite honest. He's done too many crazy things. He's young and he's got to do some serious, serious, learning to bring him off his pedestal. I'm the one to do it. I've been in the ring with Tyson (as a sparring partner, seven years ago, when Tyson was a 15-year-old novice and Bruno an elder statesman of 20). I know him. I've been confident for a long, long time."

Because of Bruno's serenity and grace, local fight observers have vied with each other all week not to insult the British challenger. No-one has called Bruno a bum, which patently he is not.

But by Thursday, the strain of so much forced politeness was taking its toll – so much so that Jim Murray, a columnist for the *Los Angeles Times*, finally let rip by heralding Bruno, who is the 13th British heavyweight challenger since 1900, as potentially "the biggest British overseas disaster since the Titanic."

Tyson, acknowledged Murray, will be giving away reach, height and weight. Bruno will be taller, by four inches; heavier, by about 15lbs, and rangier, with a far superior reach.

But against a force of nature like Tyson, thought Murray, "Frank Bruno is just a kind of complicated punching bag, a measuring rod. If Bruno lasts much past the introductions, if he's still upright as the strains of God Save The Queen die on the night air, Tyson may have to leave town in disgrace and incognito. If he loses a round, he'll never live it down. If the fight even lasts a round, Tyson is embarrassed."

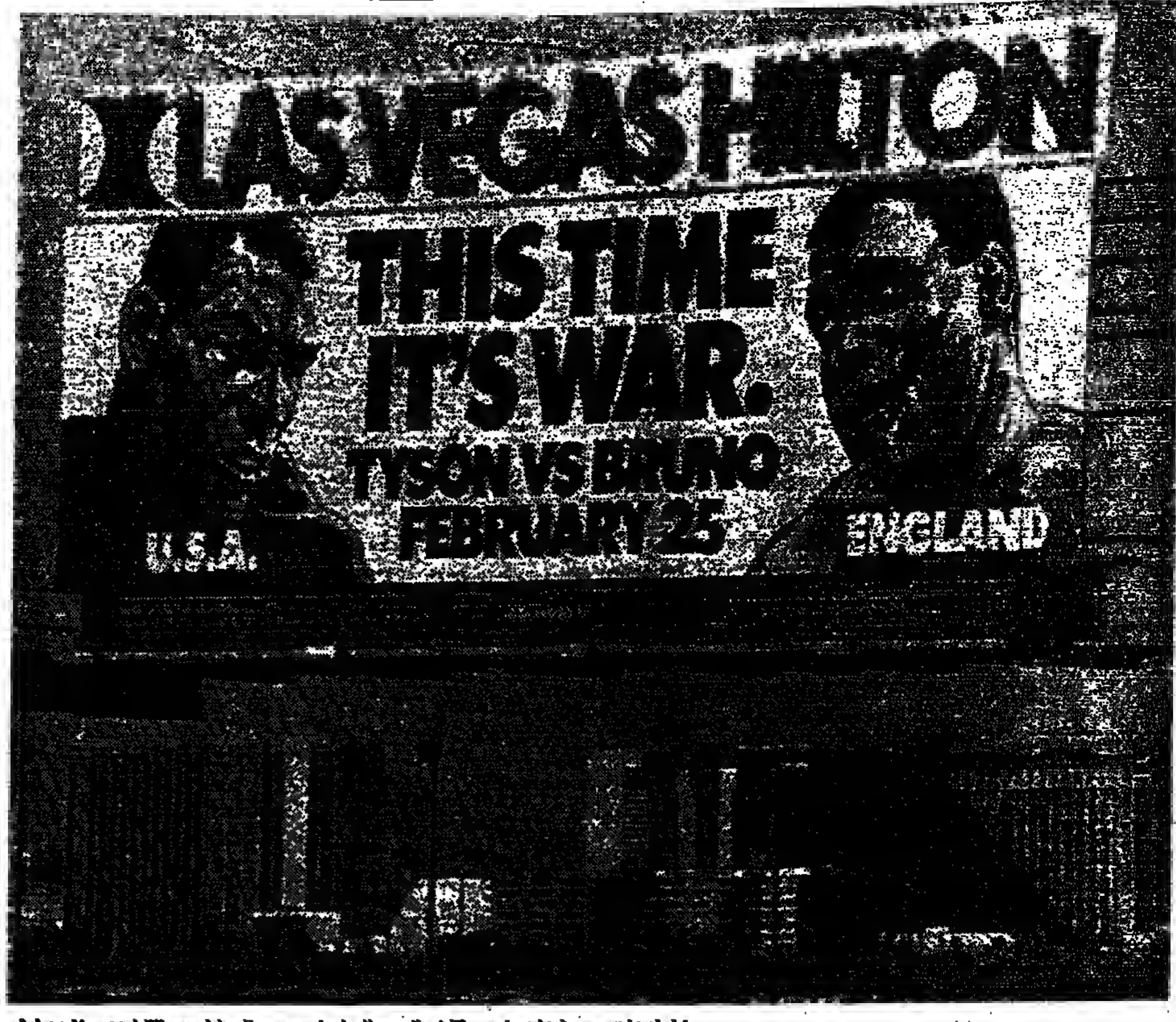
By far and away the most telling feature of recent days has been the apparent composure and maturity of the champion. He has been training in a locked gym in the presence of guards but his rare appearances have been strikingly at odds with the image – relayed for months by the tabloid crazies – of a young tearaway who has lost control of his life. According to them, Tyson's life for more than a year has been a violent and lurid melodrama that has pushed him towards suicide.

Certainly, there have been incidents. There was his marriage to actress Robin Givens which ended in tantrums and a quickie divorce, Givens having claimed that life with Tyson was "torture, pure hell, worse than anything I could have imagined." There was the death of his white manager and mentor, Jimmy Jacobs; trouble with his business manager, Bill Cayton, and Tyson's subsequent wooing by promoter Don King.

There was a bare-knuckled fight in Harlem, and a collision with a tree, and a scuffle with a photographer in Toronto, and the dismissal of his trainer, and a certain amount of partying, and five fight postponements, and the ballooning of his weight – and, of course, the crazies loved it.

Only a moron would believe that Tyson's life and career have now calmed for good. But his deportment this week has been that of an athlete in full possession of his faculties and anxious to resume his interrupted assault on the ghosts of the past – Dempsey and Louis and Marciano and Ali.

For his penultimate Press conference – an intimate hour-long affair that ranged far and wide and demonstrated that the champion has more sensitivity and intelligence than he is ever given credit for – Tyson was attired swankily



A Las Vegas billboard invites you to believe that it's going to be war tonight

in a black-and-white top and black-and-white shorts that emphasised how a barn-door torso and that famous 20-inch neck, are supported, improbably, on waif-like legs.

He has a soft and sibilant voice – the lisp is caused by gaps in his teeth – although he can boost it, when he wants, with sudden and jolting power.

The face is huge, the eyes shrewd and mobile, the hands almost delicate.

He was generous about Bruno. "He's a good fighter," said Tyson. "He's No 1. He didn't get to No 1 by lying on his butt."

He said that he hoped to keep busy after tonight, with a fight every six to eight weeks. He said he had never had an idol, and never thought about the record book. "Everybody wants to be the best. There's new contenders every day."

Tyson: 'I made a lot of mistakes. I screwed up. But now I'm where I dominate. In the ring. That's where I do what I do best'

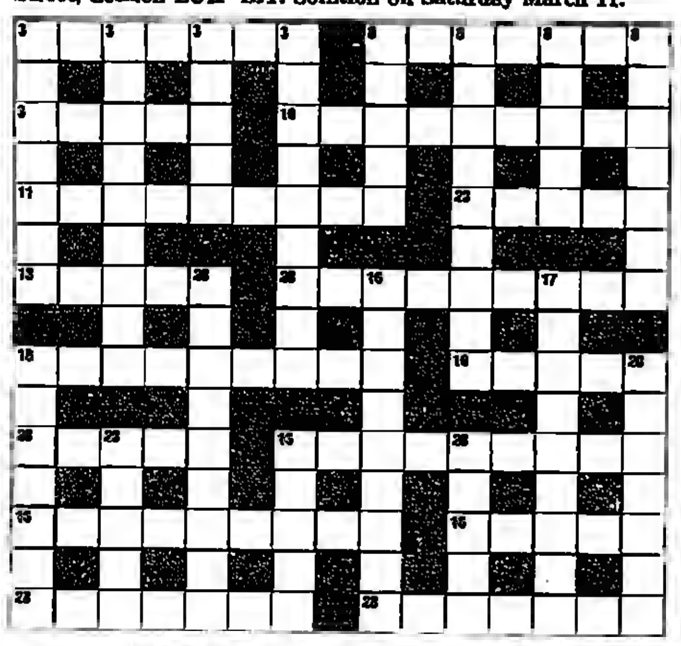
He maintained that his new handlers and cornermen are "competent enough to handle the job. If they do their job and I do my job, the result is a foregone conclusion." And he dismissed as toadying all offers of sympathy. "I despise sympathy . . . I went about doing a lot of things wrong. I made a lot of mistakes. I screwed up. But now I'm where I dominate. In the ring. That's where I do what I do best."

Today marks the 25th anniversary of the first Clay-Liston fight when the irrepressible Clay, soon to become Ali, stunned the world by slaying the dragon. But that is just coincidence. No-one is impressed. The sooner Frank Bruno can find a plane back to London, the happier he should be.

CROSSWORD

No. 6,870 Set by GRIFFIN

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday March 8, marked Crossword 6,870 on the envelope, to the Financial Times, 10 Cannon Street, London EC4P 4BY. Solution on Saturday March 11.



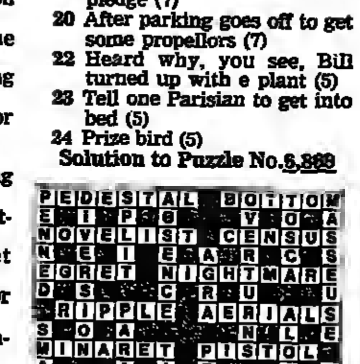
ACROSS

1 Mother's pet dog (7)
5 One usually has butter on these small plates (7)
9 For the audience see some change after it arrives (5)
10 Frank scoffed "he's seeking election" (9)
11 Arena Bill designed for dancer (9)
12 Whip Keith on giving in (5)
13 Boredom of nine running round youth centre (5)
15 Meaning a six-footer is outstanding (9)
18 Always immature yet remaining popular (9)
19 Old Penny rejected inferior flag (5)
21 Beam supported by synthetic fibre (5)
23 I'd rob chap distributing furniture material (9)
25 Pen something to go in the envelope (9)
26 A light in the bay? (5)
27 Trains one to leave it by the passage (7)
28 Always gives information about saws (7)

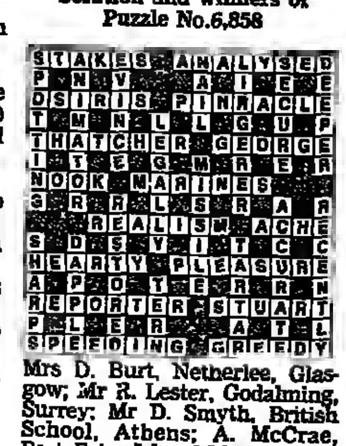
DOWN

1 The carriage the horse brought round is ghastly (7)
2 Apparition ambles round Northern church (9)
3 Is to prosecute children (5)
4 Poor families take key to make an exact copy (9)
5 Mother and Ian played with excessive enthusiasm (5)
6 Model in dirt-free plastic is wasted (9)
7 Where one owned up to nothing (5)
8 Cunning skinhead left on time (7)
14 Clever in having information on promissory notes (9)
16 Poor Lady Swan returned home without (9)
17 Time to talk, love (9)
18 Hemingway accepts a pledge (7)
20 After parking goes off to get some propellors (7)
22 Heard why, you see, Bill turned up with a plant (5)
23 Tell one Parisian to get into bed (5)
24 Prize bird (5)

Solution to Puzzle No.6,869



Solution and winners of Puzzle No.6,858



Mrs D. Burt, Netherlee, Glasgow; Mr R. Lester, Godalming, Surrey; Mr D. Smyth, British School, Athens; A. McCrae, Port Erin, Isle of Man; Mrs C. Shaw, Aylesbury, Bucks.

TELEVISION & RADIO

SATURDAY

†indicates programme in black and white

BBC1

8:25 am Saturday Starts Here. 8:40 Roland's Rat Race. 9:00 Going Live! 12:12 pm Weather. 12:15 Grandstand, featuring: 12:20 Boxing (preview of tonight's bout between Mike Tyson and Frank Bruno in Las Vegas); 12:50 Football; 1:00 News; 1:10 Racing from Punchestown; 1:20 Hockey (Royal Bank Indoor Club Championship from Crystal Palace); 1:40 Racing; 1:50 Hockey; 2:10 Racing; 2:20 Swimming (Daily Telegraph World Cup Series from Barnet); 2:40 Racing; 2:50 Basketball (NatWest Trophy Final from Birmingham); 3:35 Swimming; 3:50 Football; 4:00 Rugby League (highlights of third-round tie in the Silk Cut Challenge Cup); 4:30 Final Score.

5:05 News. 5:15 Regional programmes. 5:20 The Flying Doctors. 6:05 Jim'll Fix It. 6:40 Little and Large. 7:15 'Allo 'Allo! 7:40 The Paul Daniels Magic Show. 8:25 Bergerac. 9:20 News and Sport. 9:35 Midnight Caller. 10:25 Carrott Confidential. 11:00 Tyson v Bruno: Desmond Lynam and Harry Carpenter preview tonight's fight. 11:40 Film: "The Last of Sheila" (1973) with James Coburn, Raquel Welch, Dyan Cannon, Ian McShane and Richard Benjamin.

BBC2

6:50 am Open University. 12:45 pm Film: "The Moonshiner's Daughter" (RKO comedy short). 4:45 Film: "Separate Beds" (1963) with Lee Remick and James Garner.

6:30 The Triumph of the West. 7:20 Newsview. 8:05 Rhythms of the World: 'Acoustic Sounds from Africa'. 8:55 The 'Slap' Maxwell Story. 9:20 Saturday Night Clive. 10:05 The Film Club: Film critic Mark Le Fanu introduces the first of two 'Film Clubs' devoted to Danish director Carl Theodor Dreyer, born 100 years ago. †10:05 Film: "Gertrud" (1965). †12:00-1:45 am Film: "The Master of the House" (1925).

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Motormouth. 11:30 The Partridge Family. 12:00 The Chart Show. 1:00 pm ITN News, followed by ITV national weather. 1:05 Local News and Weather, followed by Saint & Greavsie. 1:40 Sportsmasters. 2:10 International Athletics: the US Indoor Championships. 3:00 Snooker: Anglian Windows British Open. 4:15 Woof. 4:45 Results Service.

5:00 ITN News, followed by ITV national weather. 5:05 Local News and Weather. 5:15 William Tell. 5:45 Superboy. 6:15 Trick or Treat. 6:45 You Bet! 7:45 Inspector Morse. 9:45 ITN News, followed by ITV national weather. 10:00 Local Weather. 10:05 Film: "Dead Man Walking" (1988 tv movie). 11:40 Snooker: Anglian Windows British Open. 12:35 am Soap, followed by ITN News Headlines. 1:00 Police Story: "The Freeway Killings" (1987 tv movie) with Richard Crenna, Angie Dickinson and Ben Gazzara.

CHANNEL 4

9:30 am Same Difference (with subtitles and signing). 10:00 4 What It's Worth. †10:30 Film: "Housemaster" (1938) with Otto Kruger. †12:15 Movie Museum. 12:30 Dance with Me (subtitled). 1:00 Film: "By the Light of the Silvery Moon" (1953) with Gordon MacRae and Doris Day. 2:30 Channel 4 Racing from Kempton Park. 5:35 Brookside. 6:00 Right to Reply. 6:30 Scottish Eye, followed by weather.

7:00 The World This Week featuring a special report from the Altamira meeting in Brazil. 8:00 Behaving Badly. 9:00 Film on Four International: "Colonel Redl" (1984, subtitled) with Klaus Maria Brandauer. 11:45 Sounds of Surprise: Thomas 'Fats' Waller – This Joint Is Jumpin'. †12:50 am Film: "It Happened One Night" (1934) with Clark Gable and Claudette Colbert.

S4C WALES

As Channel 4 except:
8:30 am Open at One. 10:00 Open Mind. 10:30 Vintage: A History of Wine. 11:00 4 What It's Worth. 11:30 Same Difference. 12:00 World of Animation. 12:15 pm Sumo. 12:45 Film: "Sweethearts" with Jeanette MacDonald and Nelson Eddy. 6:30 Singing for Dear Life. 7:00 Carreg Ateb. 7:30 Newyddion. 7:45 Y Maes Chwarae. 8:00 Lawr a Nhw! 10:05 Film: "Time Without Pity".

IBA Regions as London except at the following times:

ANGLIA

11:30 am Knight Rider. 12:00 The Chart Show. 5:15 pm ALF. 12:30 am The Hit Man and Her.

BORDER

11:30 am The Chart Show. 12:30 pm America's Top Ten. 12:30 am The Hit Man and Her.

CENTRAL

11:30 am Star Fleet. 12:00 The Chart Show. 5:15 pm Knight Rider. 12:30 am Prisoner: Cell Block H.

CHANNEL

11:30 am The Chart Show. 12:30 pm Rallycross. 12:35 am The Twilight Zone.

GRAMPIAN

11:30 am The Chart Show. 12:30 pm A Iomadh Dulhaich – "Manka Shoolts". 5:10 Crionagan (a look at what's happening in the Highlands and Islands, and issues of interest to the Gaelic-speaking community). 12:30 am The Hit Man and Her.

GRANADA

11:30 am The Chart Show. 12:30 pm America's Top 10. 5:15 ALF. 12:30 am The Hit Man and Her.

HTV

11:30 am The Chart Show. 12:30 pm America's Top 10. 5:15 ALF. 12:30 am The Twilight Zone. 1:30 Sledge Hammer!

SCOTTISH

11:30 am The Chart Show. 12:30 pm America's Top Ten. 5:15 The Campbells. 11:40 Curling. 12:30 am The Hit Man and Her.

TSW

11:30 am The Chart Show. 12:30 pm The South West Week. 5:05 Newsport. 5:15 ALF. 12:35 am The Hit Man and Her.

TVS

11:30 am The Chart Show. 12:30 pm Rallycross. 12:35 am The Twilight Zone.

TYNE TEES

11:30 am The Chart Show. 12:30 pm America's Top Ten. 5:05 Cartoon Time. 12:30 am ITN News Headlines. 12:32 The Hit Man and Her.

ULSTER

11:30 am The Chart Show. 12:30 pm America's Top 10. 5:15 ALF. 12:30 am The Hit Man and Her.

YORKSHIRE

11:30 am The Chart Show. 12:30 pm America's Top 10. 5:15 ALF. 12:30 am ITN News Headlines, followed by The Hit Man and Her.

RADIO

(s) Stereo on FM

BBC RADIO 2

6:05 am David Jacobs. 9:00 Sounds of the 60s with Simon Dee. 10:00 Anne Robinson. 12:00 Gerald Harper. 1:00 pm Does the Team Think? 1:30 Sport on 2, including Football, Rugby League, Rugby Union and Racing from Kempton Park. 6:00 Cinema 2. 6:30 Louis Armstrong: Dave Gelly gives his appraisal of a distinguished recording career. 7:00 The Press Gang. 7:30 Ladies Night live from the White Rock Theatre, Hastings. 9:30 String Sound. 10:05 Bruno's Big Night: Ian Darke takes a look at the preparations for tonight's fight in Las Vegas. 11:00 Martin Kelner. 1:00 am Ellis Hill presents 'Nightride'. 3:00-4:15 Big Fight Special: Mike Tyson v Frank Bruno live from Las Vegas.

BBC RADIO 3

7:00 am Morning Concert. 8:15 The Week on 3. 8:30 News. 8:35 Beethoven and Prokofiev cello sonatas played by Robert Cohen and Roger Vignoles: Beethoven's Op. 102 No 1 and Prokofiev's Op 119. 9:30 Saturday Review. 1:00 pm News. 1:05 Third Ear: 'Taking Issue'. Gillian Reynolds explores a topical issue in the arts. 1:30 Courtly Pastimes: recital by Astraea, including music by Campion, Coprario, Henry de Bailly and others. 2:00 Cello and Double-bass: Timothy Hugh and Chi-Chi Nwanoku play Rossini (Duetto) and Kodaly (Sonata for solo cello Op 8).

2:45 From the Proms 1988: LSO/Tilson-Thomas, with Margaret Price (Soprano), Jard van Nes (mezzo), Siegfried Jerusalem (tenor), Henry Herford (baritone) and Jorge Bolet (piano): Beethoven (Calm Sea and Prosperous Voyage), Weber (Konzertstuck in F minor), Mahler (Das klagende Lied). 4:30 Debut: Penelope Thwaites (piano): Beethoven (Sonata in E Op 109), Rachmaninov (Etudes-tableaux Op 33 Nos 2 and 9). 5:30 Jazz Record Requests. 5:45 Critics' Forum.

6:35 Alberni String Quartet: Peter Maxwell Davies (Quartet), Britten (Quartet No 1). 7:15 Wagner's "Das Rheingold", Scottish Opera's production, recorded earlier this month in the Theatre Royal, Glasgow, with a cast including Felicity Palmer and Willard White, who first talk to the conductor, John Mauceri, and director Richard Jones. 10:05 "Ashiepattle", by Peter Redgrove, first of six plays drawn from Grimm's fairy tales. 10:50 Sweet Honey on the Rock: first half of a concert given by the American a cappella group last summer in Clifton Cathedral, Bristol. 12:00-12:05 am News.

BBC RADIO 4

7:00 am Today. 9:00 News. 9:05 Sport on 4 with Cliff Morgan. 9:30 Breakaway. 10:00 News; Loose Ends. 11:00 News; The Week in Westminster. 11:30 From Our Own Correspondent. 12:00 Money Box. 12:25 pm I'm Sorry, I Haven't A Clue (s).

12:55 Weather. 1:00 News. 1:10 Any Questions? 1:55 Shipping Forecast. 2:00 News; Any Answers? 2:30 Play: "That Cunard Woman" by Edgar White, with Jane Lapotaire (s). 4:00 It's Against You at the Back. 4:30 Science Now. 5:00 Visiting Lives. 5:25 Week Ending. 5:50 Shipping Forecast. 5:55 Weather.

6:00 News; Sports Round-up. 6:25 Citizens (s). 7:10 Stop The Week (s). 7:45 Saturday-Night Theatre: "In a Summer Season", by Elizabeth Taylor (s). 9:15 Music in Mind (s). 9:50 Ten To Ten (s). 9:59 Weather. 10:00 News. 10:15 The Saturday Feature: 'The Gift to be Simple'. 10:45 A Sideways Look At... with Anthony Smith. 11:00 Fallen Arches (s). 11:30 Star Terk 11 (s). 12:00-12:30 am News.

SUNDAY

†indicates programme in black and white

BBC1

8:55 am Playbus. 9:15 Morning Worship from Epsom Methodist Church, Surrey. 10:00 Men and Boy. 10:25 Take Nobody's Word for It. 10:50 Russian Language and People. 11:15 Deutsch Direkt! 11:40 Bazaar. 12:05 pm See Hear! 12:30 Country File. 1:00 News; On the Record presented by Jonathan Dimbleby, with John Cole. 2:00 EastEnders. 3:00 Tyson v Bruno. The whole of the morning's bout between Frank Bruno and Mike Tyson for the Heavyweight Championship of the World. 3:30 Noel Edmonds Concorde Special. 4:40 Rolf Harris Cartoon Time.

5:05 The Clothes Show. 5:30 Antiques Roadshow. 6:15 Snap! 6:25 News. 6:40 Songs of Praise. 7:15 Laura and Disorder. 7:45 Mastermind. 8:15 Campion. 9:10 News. 9:25 That's Life. 10:15 Heart of the Matter. Joan Bakewell looks at how changes in European border restrictions in 1992 will affect people seeking asylum. 10:45 Tyson v Bruno (Another chance to see the Heavyweight Championship of the World, plus latest reactions to the fight result. 11:30 Handmade. 12:00 Film: "The Moonshine War" starring Patrick McGoohan, Richard Widmark and Alan Alda.

BBC2

1:05 pm Foley Square. 1:30 Reportage. 2:20 The Week in the Lords. 3:00 Film: "Molly". 4:20 Music in Camera. 5:05 Rugby Special. 6:05 The Movie Palaces.

6:35 The Money Programme: 'The Lawson Medicine'. ICI chairman Denys Henderson is interviewed about the state of British business in the light of high interest rates and a soaring pound. 7:15 Madhur Jaffrey's Far Eastern Cookery. 7:45 Sword and Spirit. (3) Poland: 'The truth Shall Set You Free'. 8:25 A Romantic Imagination. 9:30 Christabel Bielenberg, whose story was recently dramatised on BBC 2, talks about her experiences during WW2 when she married a German lawyer who was imprisoned after the failed plot against Hitler's life. 10:10 The Firm. A 'Screen Two' production exploring the world of football hooliganism. (TV film). 11:15 Snub.

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Motormouth on Sunday, including Fraggle Rock. 10:45 Link. 11:00 Signs of the Kingdom. 11:40 Dangerous Journey. 12:00 Encounter. 12:30 pm The Weekend Live. 12:45 Police 5. 12:58 Local news and weather. 1:00 ITN News, followed by ITV National Weather. 1:10 Eyewitness. 2:00 Coronation Street. 3:00 The Match: exclusive coverage of the second leg of the Littlewoods Cup semi-final between Bristol City and Nottingham Forest. 5:05 Snooker: Anglian Windows British Open. 6:25 Sunday Sunday. 6:30 ITN News, followed by ITV National Weather. 6:35 Local news and weather. 6:40 Appeal. 6:45 Highway.

7:15 Catchphrase. 7:45 Forever Green. 8:45 ITN News, followed by ITV National Weather. 8:55 Local weather. 9:00 Agatha Christie's Poirot. 10:00 The New Statesman. 10:30 The South Bank Show: Dvorak in Love? 11:30 Snooker: Anglian Windows British Open. 12:30 am The Chart Show, followed by ITN News Headlines. 1:30 The Other Side of Midnight.

CHANNEL 4

9:25 am Movie Mahal. 10:00 The World This Weekend. 11:00 Bob's Programme. 11:30 Worzel Gummidge Down Under. 12:00 The Waltons. 1:00 pm Lost in Space. 2:00 Aly Bain and Friends. 2:45 The Modern World: Ten Great Writers (Virginia Woolf's Mrs Dalloway). 3:50 Big World Cafe. 4:55 News summary and weather.

6:00 The Business Programme. 6:30 Rhythmic Gymnastics. 6:30 Fair Play. 6:45 The Cosby Show. 7:15 Fragile Earth: To be a Butterfly. 8:15 The Long Ride. 9:15 The Media Show: They Would Say That, Wouldn't They. 10:30 Film: "Catch-22" starring Alan Arkin, with Anthony Perkins and Orson Welles. 12:55 am Sinfonietta.

S4C WALES

As Channel 4 except:
8:15 am Haloc. 1:00 pm Big World Cafe. 2:00 Film: "Tunes of Glory". 4:00 Treasure Hunt. 6:45 A Different World. 7:15 Rebecca. 7:25 Newyddion. 7:30 Gwlad y Gan. 8:00 Enoc Hughes.

8:30 Dechrau Canu Dechrau Canmol. 9:00 Hel Straeon. 9:30 Maoritanga. 10:30 Nid Oes Neb Wedi Gweld Duw Erioed. 10:35 Film: "Mona Lisa" starring Bob Hoskins. 12:35 am Black Cinema from Europe.

IBA Regions as London except at the following times:

ANGLIA

12:30 pm Farming Diary. 2:00 Snooker (Anglian Windows British Open). 5:05 Bullseye. 5:35 Coronation Street. 11:30 Prisoner: Cell Block H. 12:30 am Hodson Confidential.

Christine Keeler, a key figure in the Profumo affair which is discussed on C4 at 9.15 pm

BORDER

12:25 pm Landmark. 5:35 Survival. 5:00 Bullseye. 11:30 Prisoner: Cell Block H. 12:30 am The Other Side of Midnight with Anthony H Wilson.

CENTRAL

12:30 pm Here and Now. 2:00 Snooker. 5:05 Bullseye. 5:35 Coronation Street. 11:30 Prisoner: Cell Block H. 12:30 am The Chart Show.

CHANNEL

12:30 pm Reflections. 12:35 Les Francais Chez-Vous. 2:00 The Bill. 5:05 Bullseye. 5:35 Coronation Street. 12:00 The Chart Show.

GRAMPIAN

10:45 am Robostory. 11:15 America's Top Ten. 11:45 Link. 12:30 pm Landmark. 3:00 Amateur Boxing: Scotland v Canada. 4:00 Lifestyles of the Rich and Famous: Gloria Principal. 4:30 Bullseye. 5:00 Scotsport, including snooker and curling. 11:30 Prisoner: Cell Block H. 12:30 am The Other Side of Midnight.

GRANADA

12:30 pm Action Point: This is Your Right. 12:35 Asp Kas Hak. 2:00 Snooker: Anglian Windows British Open. 5:05 Bullseye. 5:35 Coronation Street. 11:30 Prisoner: Cell Block H. 12:30 am The Other Side of Midnight.

HTV

12:30 pm West Country Farming, followed by Weather for Farmers. 2:00 Disney Family Movie: "Double Agent" (Part 2). 5:05 Bullseye. 5:35 Coronation Street. 11:30 Prisoner: Cell Block H. 12:30 am The Chart Show followed by ITN news headlines.

SCOTTISH

10:45 Glen Michael's Cavalcade on GMTV. 11:15 Link. 11:30 Landmark. 12:30 pm Challenge. 2:00 The Bill. 3:00 Chain Letters. 5:35 Only When I Laugh. 4:00 Coronation Street. 5:00 Scotsport. 11:30 Scottish Books. 12:00 Crann Tara followed by ITN news headlines. 12:30 am The Other Side of Midnight.

TSW

12:30 pm Farming News. 2:00 Snooker: Anglian Windows British Open. 5:05 Bullseye. 5:35 Coronation Street. 11:30 Snooker: Anglian Windows British Open. 12:30 am The Other Side of Midnight.

TVS

12:30 pm TVS News. 12:32 Agenda. 12:58 TVS Weather, including farming weather. 2:00 The Bill. 5:05 Bullseye. 5:35 Coronation Street. 11:30 Snooker: Anglian Windows British Open. 12:00 The Chart Show.

TYNE TEES

12:30 pm Jack Thompson Down Under. 2:00 Snooker. 5:05 Landmark. 5:35 Coronation Street Omnibus. 11:30 Soccer Special. 12:00 Inner Space. 12:30 am ITN news headlines. 12:32 The Other Side of Midnight introduced by Anthony Wilson.

ULSTER

12:30 pm Ace of Aces. 2:00 Farming Ulster. 2:30 Ski Tips. 5:05 Bullseye. 5:35 Coronation Street. 11:30 Snooker: Anglian Windows British Open. 12:30 am The Other Side of Midnight.

YORKSHIRE

12:30 pm Farming Diary. 5:05 Highway to Heaven. 12:30 am ITN News Headlines, followed by The Chart Show.

RADIO

(s) Stereo on FM

BBC RADIO 2

7:30 am Roger Royle says 'Good Morning Sunday'. 9:05 Melodies For You. 11:00 Desmond Carrington with Your Radio 2 All-Time Greats. 2:00 pm Benny Green. 3:00 Alan Dell. 4:00 Marian Foster presents 'Orchestral Favourites'. 4:30 Sing Something Simple. 5:00 Charlie Chester. 7:00 The Random Jottings of Hinge and Bracket. 7:30 Moira Anderson's Music Hour. 8:30 Sunday Half-Hour. 9:00 Your Hundred Best Tunes, with Alan Keith. 10:05 Songs from the Shows. 10:45 Jonathan Price at the piano. 11:00 Peter Clayton with 'Sounds of Jazz'. 1:00 am Ellis Hill presents 'Nightride'. 3:00-4:00 A Little Night Music.

Medium Wave as FM except:
3:00-4:30 pm Soccer Special. Littlewoods Cup semi-final, second leg.

BBC RADIO 3

7:00 am Bach. 7:30 News. 7:35 Yevgeny Mravinsky conducting the Leningrad PO. 8:30 News. 8:35 Your Concert Choice. 10:30 Music Weekly, with Michael Oliver. 11:15 BBC Scottish Symphony Orchestra with Laverne Williams (mezzo): Hans Abrahamsen (Nacht und Trompeten), Copland (Old American Songs, Sets 1 and 2), Haydn (Symphony No 97). 12:25 pm Vermeer Quartet: Haydn (Quartet Op 33 No 2, 'Joke'), Berg (Lyric Suite). 1:25 Third Ear: Glaswegian writer James Kelman, whose novel 'A Disaffection' was published this week, talks to Iain Crichton-Smith.

1:50 Sacred Dramas. Handel's oratorio 'Deborah', with Nancy Argenta in the title role and the Taverner Choir and Taverner Players (2:45-2:50 Readings from Handel's contemporaries which deal with the story of the Biblical heroine Deborah). 4:20 Vagn Holmboe: Symphony No 22 (Danish Radio SO/Yuri Ahronovitch). 4:50 Celebrity Recital, Maurizio Pollini at last year's Vienna festival: Schubert (Sonata in G, D894), Liszt (Nuages gris; La lugubre gondola No 1; RW - Venezia; and the Sonata in B minor). 6:15 Law and Disorder. Paul Davies, Professor of Theoretical Physics at Newcastle, talks about the study of chaos, in weather-forecasting, aerodynamics, planetary orbits, etc.

7:00 Songs by Schubert, Roussel and Fauré: Anja van Wijk (soprano) and Rudolf Jansen (piano). 7:45 Bavarian Radio Symphony Orchestra: Mozart (Overture: The Magic Flute), Strauss (Metamorphosen), Brahms (Symphony No 1). 9:10 Josef Suk (violin) and Josef Hala (piano): Dvorak (Sonata Op 57), Martinu (Sonata No 2), Beethoven (Sonata in G, Op 96), Janacek (A blown-away leaf), Suk (Evening Mood), Brahms (Scherzo). 10:30 Choral Vespers. 11:20 Clarinet and Piano. 12:00-12:05 am News.

RADIO 4

7:00 am News. 7:15 On Your Farm. 7:40 Sunday. 8:50 The Week's Good Cause. 8:55 Weather. 9:00 News. 9:15 Letter from America by Alistair Cooke. 9:30 Morning Service. 10:15 The Archers. 11:15 News Stand. 11:30 Pick of the Week (s). 12:15 pm Desert Island Discs (s).

12:55 Weather. 1:00 The World This Weekend. 1:55 Shipping Forecast. 2:00 Gardeners' Question Time. 2:30 The Way We Live Now. Dramatisation of Trollope's novel (s). 3:30 The Radio Programme. 4:00 Classic Features. 4:47 Enquire Within. 5:00 News; Down Your Way. 5:50 Shipping Forecast. 5:55 Weather. 6:00 News.

6:15 Feedback: Chris Dunkley airs listeners' comments on BBC programmes and policy. 6:30 Cat's Whiskers (s). 7:00 News; Open Mind. 7:30 Fair on 4 (s). 8:00 Bookshelf. 8:30 Market Forces. 9:00 News; The Lent Talks with Rev James Jones (s). 9:15 The Natural History Programme. 9:59 Weather. 10:00 News. 10:15 Big Footsteps. 11:00 In Committee. 11:30 Seeds of Faith (s). 12:00-12:30 am News.